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HTC Corporation
Procedures for the Acquisition or Disposal of Assets

Chapter 1: General Principles

Article 1: Objectives and basis

For purposes of enhancing the Company's asset management process and public disclosure of information, these Procedures for the Acquisition or Disposal of Assets ("Procedures") are adopted in accordance with Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition or Disposal of Assets by Public Companies issued by the Securities and Futures Bureau of the Financial Supervisory Commission.

Article 2: Scope of assets and definitions

1. The term "assets" in these Procedures shall apply to the following:
 - (1) Stocks, bonds, corporate bonds, financial bonds, securities representing funds, domestic beneficial interest certificates, overseas mutual funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 - (2) Real property and other fixed assets.
 - (3) Membership certificates.
 - (4) Intangible assets such as patents, copyrights, trademark rights, and franchise rights.
 - (5) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue accounts receivable).
 - (6) Derivatives.
 - (7) Assets acquired or disposed of through lawful mergers, demergers, acquisitions, or share transfers.
 - (8) Other material assets.

2. The defined terms in these Procedures are as follows:
 - (1) Derivatives: Refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (or sales) agreements.
 - (2) Assets acquired or disposed of through lawful mergers, demergers,

acquisitions, or share transfers: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other laws, or to transfers of shares from another company for which new shares of its own are issued as consideration (below, "share transfer") under Article 156, paragraph 6 of the Company Act.

- (3) Related party: As defined in Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (ARDF).
- (4) Subsidiary: As defined in Statements of Financial Accounting Standards Nos. 5 and 7 published by the ARDF.
- (5) Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or other fixed assets.
- (6) Date of occurrence: Refers to the earliest of the following dates: the date of contract signing, date of payment, date of execution of an order, date of transfer, date of a board of directors resolution, or other date from which the counterparty and monetary amount of a transaction can be determined, provided that for investments requiring the approval of the Competent Authority, the earlier of either an abovementioned date or the date of receipt of approval by the Competent Authority shall apply.
- (7) Mainland area investment: Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Chapter 2: Acquisition or Disposal of Assets

Article 3: Appraisal procedures

The methods and reference criteria for determining the price at which the Company acquires or disposes of assets shall comply with the following:

1. Securities investments:

Before acquiring or disposing of securities, the Company shall first obtain, for reference in appraising the transaction price, a financial statement of the subject company for the most recent period that has been audited and certified or reviewed by a certified public accountant (CPA), or an investor memorandum, prospectus, or financial information regarding the subject securities, and shall determine the transaction price using the following methods:

- (1) For acquisition or disposal of securities traded on the centralized securities exchange market or an OTC market, the price shall be determined according to the current trading price.
- (2) For acquisition or disposal of securities not traded on the centralized securities exchange market or an OTC market, the price shall be determined through negotiation after consideration of net worth per share, profitability, and future development potential, taking current market prices as a reference, or by negotiation after reference to current market interest rates,

bond coupon rates, and debtor creditworthiness.

In addition, when the amount of a transaction reaches 20 percent of paid-in capital or NT\$300 million or more, the Company shall obtain an opinion from a CPA on the reasonableness of the trading price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the Executive Yuan Financial Supervisory Commission's Interpretation concerning the Article 10 proviso in the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.

2. Real property or other fixed assets:

Prices for the acquisition or disposal of real property shall be determined through negotiation, with reference to the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties; in acquisition or disposal of other fixed assets, the Company shall first collect relevant price information and make a price determination through one of three methods, either price comparison, price negotiation, or call for tenders.

When the Company acquires or disposes of real property or other fixed assets, if the transaction amount reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with government agencies, hiring others to build on its own land, hiring others to build on rented land, or acquiring or disposing of operating machinery and equipment, it shall first obtain an appraisal report from a professional appraiser and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to use a limited price, specified price, or special price as reference criteria for the transaction price, the transaction shall first be submitted for approval by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- (2) Where the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be engaged to provide appraisals.
- (3) Where any of the following circumstances applies with respect to the results of a professional appraisal, a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF and to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 2. The discrepancy between the results of two or more professional appraisals is 10 percent or more of the transaction amount.
- (4) Where an appraisal is conducted before a contract execution date, no more than three months may pass between the date of the appraisal report and the contract execution date, provided that where the announced current value used in the appraisal is for the same period and not more than six months have elapsed, the original professional appraiser may issue an opinion.

3. Membership certificates or intangible assets

When acquiring or disposing of membership certificates, the Company shall first

collect relevant price information and use one of two methods, price comparison or price negotiation, to effect acquisition or disposal. When acquiring or disposing of intangible assets, the Company shall also collect relevant price information, and shall make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price. When a transaction amount for acquisition or disposal of membership certificates or intangible assets reaches 20 percent of paid-in capital or NT\$300 million or more, the Company shall seek an opinion from a CPA on the reasonableness of the transaction price. The CPA shall issue its opinion in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF.

4. Other material assets

In acquiring claims of financial institutions, derivatives products, assets transferred by means of lawful mergers, demergers, acquisitions, or share transfers, or other material assets, the Company shall collect relevant price information, depending on the nature of the subject asset of the transaction, and make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price.

5. When the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 4: Operating procedures

1. Levels of authorization

(1) When the Company acquires or disposes of assets, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.

1. Acquisitions or disposals of securities:

1.1 When the securities acquired or disposed of are securities over which the Company has direct or indirect control, the acquisition and disposal shall take place in accordance with the following provisions:

1.1.1 Each individual transaction in an amount equal to or greater than 20 percent of paid-in capital or NT\$300 million shall be reported to and approved by the board of directors prior to its execution.

1.1.2 For any individual transaction that is both less than 20 percent of paid-in capital and less than NT\$300 million, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.

1.2 When securities acquired or disposed of are not securities over which

the Company has direct or indirect control, acquisition and disposal shall take place in accordance with the following provisions:

1.2.1 When the purpose of the acquisition or disposal is financial investment, then the transaction shall be executed, after determination of the amount and procedures for its approval in accordance with the "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman, and after its further submission for approval by the responsible officers in order of increasing authority.

1.2.2 When the purpose of the acquisition or disposal is strategic investment, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.

1.3 When the transaction counterparty is a related party, the transaction shall be carried out in accordance with the following provisions:

1.3.1 If the related party is not a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, then any transaction, regardless of amount, shall be executed after submission to and approval by the board of directors.

1.3.2 When the related party is a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.

2. Acquisitions or disposals of real property:

2.1 Acquisition or disposal of real property for use in business operations:

2.1.1 Each individual transaction in an amount equal to or greater than 20 percent of paid-in capital or NT\$300 million shall be reported to and approved by the board of directors prior to its execution.

2.1.2 For any individual transaction amount that is both less than 20 percent of paid-in capital and less than NT\$300 million, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.

2.1.3 A transaction for the acquisition of real property from a related party must be submitted to and approved by the board of directors prior to execution in accordance with the relevant provisions of Chapter 3 of these Procedures.

2.2 The acquisition or disposal of real property not for use in business operations, within the limits for transaction amounts set out in paragraph 2 of this article, may be executed after submission to and approval by the board of directors. If the transaction counterparty is a related party, submission to and approval by the board of directors

in accordance with the provisions of Chapter 3 of these Procedures is still required prior to execution.

3 Acquisition or disposal of other fixed assets:

3.1 Acquisition or disposal of assets for use in business operations:

3.1.1 Each transaction in an amount equal to or greater than 20 percent of paid-in capital or NT\$500 million or more shall be submitted to and approved by the board of directors prior to its execution.

3.1.2 Where the transaction counterparty is a related party and each transaction is less than 20 percent of the Company's paid-in capital and NT\$500 million:

3.1.2a If the related party is not a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, each transaction in whatsoever amount shall be submitted to and approved by the board of directors prior to its execution.

3.1.2b If the related party is a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, the transaction shall be submitted to and approved by the responsible officer that was authorized by the chairman prior to its execution.

3.1.3 Transactions in amounts less than those in 3.1.1 or 3.1.2 above shall be submitted to supervisors for approval in order of their increasing authority in accordance with the "internal decision authorization limits."

3.2 Acquisitions or disposals of assets that are not intended for use in business operations shall be submitted to and approved by the board of directors prior to their execution.

4. Acquisition or disposal of membership certificates:

4.1 Where the transaction counterparty is not a related party, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.

4.2 Where the transaction counterparty is a related party, each transaction in whatsoever amount shall be submitted to and approved by the board of directors prior to its execution.

5. Acquisition or disposal of intangible assets and other material assets:

5.1 Each individual transaction in an amount equal to or greater than 20 percent of paid-in capital or NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.

5.2 For any individual transaction amount that is both less than 20 percent of paid-in capital and less than NT\$1.5 billion, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.

5.3 Where the transaction counterparty is a related party, each transaction in whatsoever amount shall be submitted to and approved by the

board of directors prior to its execution.

6. In acquisition or disposal of assets by means of lawful mergers, demergers, acquisitions, or share transfers, the unit executing the transaction shall first conduct an appraisal and thereafter carry out the transaction in accordance with relevant laws and regulations and Chapter 4 of these Procedures.
- (2) In any acquisition or disposal of assets by the Company that requires the approval of the board of directors pursuant to the articles of incorporation or other provisions of law, when a director expresses dissent and such dissent is on record or in a written statement, the Company shall distribute the materials expressing the director's dissenting opinion to each supervisor.

After the Company has created independent director position(s), in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of directors in accordance with the preceding paragraph, adequate consideration shall be given to the opinions of each independent director, and where an independent director has dissenting or qualified opinion, such opinion shall be entered into the minutes of the board of directors meeting.

Subsequent to the Company's establishment of an audit committee pursuant to the Securities and Exchange Act, material asset transactions shall be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.

2. Amount limits

- (1) The total amount of any real property purchased by the Company not for use in business operations may not exceed 20 percent of the Company's net worth; the total amount of any real property purchased by a subsidiary of the Company not for use in business operations may not exceed 20 percent of the Company's net worth, and may not exceed the subsidiary's net worth.
- (2) Unless with the approval of a shareholders meeting, the total amount of investment by the Company in securities may not exceed its net worth; the total amount of investment in securities by a subsidiary of the Company may not exceed the subsidiary's net worth.
- (3) Unless with the approval of a shareholders meeting, the amount of the Company's investment in any single security may not exceed 50 percent of its net worth; the amount of investment by a subsidiary of the Company in any single security may not exceed 50 percent of the Company's net worth and may not exceed the subsidiary's net worth.
- (4) Securities acquired by the Company or a subsidiary for the purpose of

short-term allocation of funds, or acquired through the conduct of M&A activities such as mergers, demergers, acquisitions, or share transfers carried out in accordance with relevant domestic or foreign laws, shall not be subject to the restrictions on amounts in (2) and (3) above.

3. Units executing transactions

- (1) For acquisition or disposal of securities: the financial unit or related unit.
- (2) For acquisition or disposal of real property and other fixed assets: the general affairs unit, financial unit, or other related unit.

4. Transaction procedures

Procedures and operations in relation to the acquisition or disposal of assets shall be carried out in accordance with relevant provisions of laws and regulations and the internal rules of the Company.

Article 5: Other material assets

For any appraisal report or any written opinion from a CPA, attorney, or securities underwriter obtained by the Company, the professional appraiser and appraiser's officers, CPA, attorney, or securities underwriter may not be a related party of the trading counterparty.

Chapter 3: Acquisition of Real Property from Related Parties

Article 6: Scope of applicability

When the Company obtains real property by purchase from or exchange with a related party, it shall carry out the relevant resolution procedures and appraisals of the reasonableness of the transaction terms in accordance with the provisions of this chapter and the preceding chapter.

In judging whether a trading counterparty is a related party, consideration shall be given to the substantive nature of the relationship in addition to its legal form.

Article 7: Resolution procedures

When the Company obtains real property from a related party, it shall submit the following materials for passage by the board of directors and recognition by the supervisors before carrying out the transaction:

1. The purpose, necessity, and anticipated benefit of the real property acquisition.
2. The reason for choosing the related party as a trading counterparty.
3. Information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Articles 8 through 10.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract and an evaluation of the necessity of the transaction and

the reasonableness of funds utilization.

6. Any restrictive covenants or other material stipulations associated with the transaction.

Subsequent to the creation of independent director(s) by this Company in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of directors in accordance with the preceding paragraph, adequate consideration shall be given to the opinions of each independent director, and their dissenting or qualified opinions, if any, and the reasons for them shall be entered into the minutes of the board of directors meeting.

Subsequent to this Company's establishment of an audit committee pursuant to the Securities and Exchange Act, matters that shall be subject to recognition by the supervisors pursuant to paragraph 1 shall first be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.

Article 8: Appraisal procedures

When acquiring real property from a related party, the Company shall assess the reasonableness of the transaction costs by the following methods:

1. Based upon the related party transaction price plus necessary interest on funding and the costs to be borne by the buyer in accordance with the law. "Necessary interest on funding" is the imputed weighted average interest rate on borrowing in the year the company purchases the property. That rate, however, may not be higher than the maximum lending rate for non-financial enterprises announced by the Ministry of Finance.
2. Where the related party has previously created a mortgage on the property as security for a loan, based on the total loan value appraisal from the financial institution. The actual cumulative value of the financial institution's loan shall have reached 70 percent or more of the appraised loan value of the property and the loan period shall have been one year or more, provided that this shall not apply when the financial institution and one of the trading counterparties are related parties.

When land and structures thereon are combined as a single property purchase, separate appraisals of the transaction costs for the land and the structures may be carried in accordance with either of the means listed in the preceding paragraph.

When the Company acquires real property from a related party and appraises the cost of the real property in accordance with the provisions of paragraph 1 and paragraph 2, it shall also engage a CPA to conduct a secondary review and render a specific opinion.

When the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of Article 9 and the provisions of the preceding three paragraphs shall not apply:

1. The related party acquired the real property through inheritance or as a gift.
2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party.

Article 9: Procedures for handling appraised prices lower than the proposed transaction price (1)

When the results of the Company's appraisals under paragraph 1 and paragraph 2 of the preceding Article are all lower than the proposed transaction price, the matter shall be handled in accordance with Article 10. Where the following circumstances exist, however, and the Company puts forward objective evidence and obtains specific opinions on reasonableness from a professional real property appraiser and a CPA, the above condition shall not apply:

1. Where the related party has acquired undeveloped land or leased land for development, it may submit proof that the transaction complies with one of the following conditions:
 - (1) The undeveloped land has been appraised in accordance with the means in the preceding Article, but the structures have been valued based on the related party's construction costs plus reasonable profit from construction, and in combination with the land, are valued in excess of the actual transaction price. "Reasonable profit from construction" shall be the lower of 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.
 - (2) 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.
 - (3) 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.
2. The Company provides evidence that, for the real property it purchases from a related party, the terms of the transaction are similar to cases of transactions completed in adjacent areas by unrelated parties within the preceding year and the property involved is also similar in area.

"Cases of transactions completed in adjacent areas" in the preceding paragraph in principle refers to property on the same or an adjacent block and within a distance of no more than 500 meters or property whose publicly announced current value is similar. "Similar in area" in principle refers to transactions completed by unrelated parties for property with an area of no less than 50 percent of the property in the planned transaction. "Within the preceding year" refers to a preceding period of one year calculated from the actual date of occurrence of the real property acquisition.

Article 10: Procedures for handling appraised prices lower than the proposed transaction price (2)

When the Company acquires real property from a related party and the results of the appraisals under Articles 8 and 9 are all lower than the proposed transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property 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.
2. Supervisors shall comply with the provisions of Article 218 of the Company Act.
3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and in prospectuses.

When the Company sets aside a special reserve under the preceding paragraph, 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.

When the Company acquires real property from a related party and other evidence indicates that the acquisition was a non-arms length transaction, it shall also comply with the provisions of the preceding two paragraphs.

Chapter 4: Mergers, Demergers, Acquisitions, and Share Transfers

Article 11: Resolution procedures

1. When the Company conducts a merger, demerger, acquisition, or share transfer, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to issue an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and report the opinion to the board of directors for deliberation and passage.

2. When the Company participates in a merger, demerger, or acquisition, then prior to the shareholders meeting it shall prepare a public report to shareholders detailing material contractual content and matters relevant to the merger, demerger, or acquisition and include it, along with the expert opinion referred to in paragraph 1 of the preceding paragraph, in the notification of the shareholders meeting for reference by shareholders in deciding whether to approve the merger, demerger, or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a shareholders meeting to approve the merger, demerger, or acquisition.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition 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, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

3. When the companies participating in a merger, demerger, or acquisition convene board of directors meetings or shareholders meetings to resolve matters concerning the merger, demerger, or acquisition, they shall do so on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.

The companies participating in a share transfer shall convene their board of directors meetings on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.

An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall make a comprehensive written record of the following information, to be retained for five years for reference:

1. Basic personnel information: 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, demerger, acquisition, or share transfer prior to public disclosure of the plan.
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, demerger, acquisition, or share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall, within two days after the date of passage of the board of directors resolution, report the information under subparagraphs 1 and 2 of the preceding paragraph for reference by the FSC, in the prescribed format, through its Internet information reporting system.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares

traded on an OTC market, the company(ies) so listed or traded shall sign an agreement with such company, and the provisions of paragraphs 3 and 4 shall be complied with.

Article 12: Confidentiality commitments

Every person participating in or privy to the plan for merger, demerger, acquisition, or share transfer 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, any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or share transfer.

Article 13: Change of share exchange ratio or acquisition price

When the Company participates in a merger, demerger, acquisition, or share transfer, it may not arbitrarily alter the share exchange ratio or acquisition price except under the circumstances listed below, and it shall stipulate in the contract for the merger, demerger, acquisition, or share transfer the circumstances under which alteration is permitted:

1. A cash capital increase, an issuance of convertible corporate bonds or bonus shares, an 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 material assets, that affects the company's finances or business.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company duly repurchases treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or share transfer.
6. Any other condition under which such alteration may take place that has been stipulated in the contract and has been publicly disclosed.

Article 14: Particulars to be set out in the contract

The contract for the Company's participation in a merger, demerger, acquisition, or share transfer shall set out the rights and obligations of the companies participating in the merger, demerger, acquisition, or share transfer, and shall also set out the following:

1. Handling of breach of contract.
2. The principles for handling of equity-type securities previously issued or treasury stock previously repurchased by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies may duly repurchase after the record date of calculation of the share exchange ratio and the principles for handling of repurchases.
4. The method of handling changes in the number of participating entities or companies.

5. A preliminary progress schedule for execution of the plan and the anticipated completion date.
6. Handling procedures in relation to matters such as the scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion.

Article 15: Changes in other participants

When any company participating in a merger, demerger, acquisition, or share transfer, after public disclosure of such information, subsequently forms an intention to undertake another merger, demerger, acquisition, or share transfer with another company, then except in a case where the number of participants is decreased and the shareholders meeting has already resolved and authorized a change in the relevant scope of powers of the board of directors, in which case the participant company may be exempt from the requirement to convene a shareholders meeting for a new resolution, any procedures or juristic acts already brought to completion in the original case of merger, demerger, acquisition, or share transfer shall be performed over again by all participating companies.

Article 16: Method of handling in respect of a participating company that is not a public company

When any company participating in a merger, demerger, acquisition, or share transfer is not a public company, the Company shall sign an agreement with that company and shall proceed in accordance with Article 11 paragraph 3, Article 12, and Article 15.

Chapter 5: Public Disclosure of Information

Article 17: Procedures for public announcement and reporting

When the Company acquires or disposes of assets under any of the following circumstances, it shall publicly announce and report the relevant information, in accordance with the type of disposal or acquisition, on the FSC's designated website in the appropriate format as prescribed by regulations within two days from the date of occurrence:

1. An acquisition of real property from a related party.
2. An investment in the mainland area.
3. A merger, demerger, acquisition, or share transfer.
4. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
5. Where the amount of an asset transaction other than any of those referred to in the preceding four subparagraphs or a disposal of receivables by a financial institution reaches 20 percent or more of paid-in capital or NT\$300 million. This restriction shall not apply, however, under the following circumstances:
 - (1) Trades in government bonds.
 - (2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets.
 - (3) Trades of bonds under repurchase/resale agreements.
 - (4) The type of asset acquired or disposed is equipment/machinery for use in

business operations, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.

- (5) The Company operates construction business and acquires or disposes of real property for use in construction, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
- (6) Real property is acquired under an arrangement for commissioned construction on self-owned land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.

The amounts of the transactions in the preceding paragraph shall be calculated as follows:

1. As the amount of any individual transaction.
2. As the cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year.
3. As the cumulative transaction amount of real property acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) in the same development project within one year.
4. As the cumulative transaction amount of acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) of the same security within one year.

"Within one year," as used in paragraph 2, refers to a preceding period of one-year calculated from the date of occurrence of the current transaction. Items duly announced in accordance with the Regulations need not be entered.

The Company shall compile monthly reports, covering the period up to the end of the preceding month, on the status of derivatives trades made by it or by any subsidiaries that are not public companies, and enter the information in the prescribed format into the information reporting website designated by the SFC by the tenth day of each month.

When an item that the Company is required by regulation to publicly announce is found at the time of announcement to contain an error or omission and correction is required, all announced items shall be again publicly announced and reported in their entirety.

When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions from CPAs, attorneys, and securities underwriters at the headquarters of the Company, where, unless otherwise provided in another law, they shall be retained for at least five years.

Article 18: Other matters of material significance

Under any of the following circumstances, after the Company has publicly announced and reported a transaction in accordance with the preceding article, it shall publicly announce and report related information through the information reporting website

designated by the Commission within two days from the date of occurrence:

1. There is a change in or termination or rescission of a contract signed in connection with the original transaction.
2. The merger, demerger, acquisition, or share transfer is not completed by the scheduled date set forth in the contract.

Chapter 6: Supplementary Provisions

Article 19: Penalties

Any relevant person who violates these Procedures or any provision herein shall be subject to penalization in accordance with the relevant provisions of the Company.

Article 20: Procedures for controlling the acquisition or disposal of assets by subsidiaries

1. The Company shall oversee its subsidiaries to ensure their adoption of procedures for the acquisition or disposal of assets in accordance with the related Regulations Governing Public Companies adopted by the Securities and Futures Commission of the Ministry of Finance.
2. Subsidiaries shall themselves conduct reviews of the procedures that they adopt to ensure that they conform with the provisions of relevant regulations and shall conduct reviews of acquisitions or disposals of assets to ensure that they are carried out in accordance with the adopted procedures.
3. The Company's internal auditing personnel shall conduct a secondary review of the review reports of the subsidiaries, and shall notify each supervisor in writing upon the discovery of any material violation.
4. When a subsidiary of the Company is not a domestic public company, any announcement and reporting of information in connection with its acquisition or disposal of assets that is required pursuant to Chapter 5 herein shall be performed by the Company.

A subsidiary referred to in the preceding paragraph is subject to the public announcement and reporting standards of Article 17, paragraph 1, subparagraph 5 concerning reaching 20 percent of paid-in capital. The standard shall be based on the paid-in capital amount of the Company.

Article 21: Derivatives product transactions

The Company shall comply with its Procedures for the Handling of Derivatives Trading when engaging in derivatives transactions, and shall be duly diligent to risk management and auditing matters, to fully implement its internal control system,

Article 22: Other matters of material significance

Subsequent to the establishment of an audit committee by the Company in accordance with the Securities and Exchange Act, the provisions of Article 23, Article 4, paragraph 1, subparagraph 2, and Article 7 in regard to supervisors shall apply mutatis

mutandis to audit committee members.

Subsequent to the establishment of an audit committee by the Company in accordance with the Securities and Exchange Act, the provisions of Article 10, paragraph 1, subparagraph 2 shall apply mutatis mutandis to independent directors serving as audit committee members.

Any matter on which these Procedures are silent, or in which any doubt arises regarding the application hereof, shall be handled in accordance with relevant laws and regulations. Where laws and regulations contain no applicable provisions, the matter shall be handled in accordance with the relevant rules of the Company or through discussion and resolution by the board of directors.

Article 23: Procedures for amendment

After their passage by the board of directors, these Procedures shall be submitted to each supervisor and reported to the shareholders meeting for approval; the same shall apply to any amendment hereto. If a director expresses dissent and such dissent is on record or in a written statement, the Company shall distribute to each supervisor the materials expressing the director's dissenting opinion.

If independent director position(s) have been created in accordance with the Securities and Exchange Act and these Rules are reported for deliberation by the board of directors, the opinions of each independent director shall be given adequate consideration, and their consenting or dissenting opinions and the reasons for them shall be entered into the minutes of the board of directors meeting.

If an audit committee has been established in accordance with the Securities and Exchange Act, adoption or amendment of the Procedures for the Acquisition or Disposal of Assets shall require the consent of one-half of the total number of audit committee members, and shall be submitted to the board of directors for resolution.

If the action of the preceding paragraph has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The "total number of audit committee members" under paragraph 3 and the "total number of directors" under the preceding paragraph shall be calculated only with respect to those actually currently serving in those positions.