

---

## Chapter I. General Provisions

- Article 1 Purpose  
The Procedure is enacted in order to protect assets and implement the information disclosure. Any matters not covered herein shall be governed by related laws and regulations.
- Article 2. Legal Basis  
The Procedure is enacted in accordance with Article 36-1 of the Securities and Exchange Act, and related requirements under the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by Financial Supervisory Commission (hereinafter referred to as "FSC").
- Article 3 The scope of assets referred to herein is stated as following:
- I Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities and asset-backed securities.
  - II Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
  - III Membership certificates.
  - IV Patents, copyrights, trademarks, franchise rights and other intangible assets.
  - V Right-of-use assets.
  - VI Claims of financial institutions (including receivables, bills purchased and discounted, loans and overdue receivables).
  - VII Derivatives.
  - VIII Assets acquired or disposed of in connection with mergers, demergers, acquisitions or transfer of shares in accordance with the law.
  - IX Other major assets.
- Article 4. The definitions herein are stated as follows:
- I Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts or 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 variables; 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-sale service contracts, long-term leasing contracts and long-term purchase (sales) contracts.
  - II Assets acquired or disposed through mergers, demergers, acquisitions or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts or to the transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter referred to as "transfer of shares") under Article 156-3 of the Company Act.
  - III Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
  - IV 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 equipment.
  - V Date of occurrence: date of execution of contract, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
  - VI Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
  - VII Securities exchange: "domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
  - VIII Over-the-counter venue (hereinafter referred to as "OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.
  - IX The "latest financial statements" mean the Company's financial statements disclosed by the Company to the public and audited, certified or reviewed by a CPA prior to acquisition or disposal of assets.

## Chapter II. Procedures

### Article 5 Evaluation Procedure

- I. The Company shall, prior to acquisition or disposal of equity not traded in securities exchanges or OTC markets, shall take into account the net worth per share, profitability, future development, market interest rate, coupon interest rate of bond, debtor's credit and the transaction price prevailing at that moment to determine the transaction price.
- II. The transaction price for the Company's acquisition or disposal of securities traded in securities exchanges or OTC markets shall be decided upon based on the market quotation.
- III. The transaction for acquisition or disposal of the other assets referred to in the preceding two sub-paragraphs shall be conducted in either of the manners including price inquiry, price comparison, price negotiation or tender solicitation and with reference to the announced current value, assessed value and actual transaction price of adjacent real property. If it is required to be announced publicly and reported pursuant to the Procedure, the professional appraiser's appraisal report shall also be taken into account.

### Article 6 Operating Procedure for Acquisition or Disposal of Assets

- I. The Company's acquisition or disposal of assets shall be subject to the evaluation conducted by the undertaking unit based on the causes of the acquisition or disposal, subject matters, trading counterparts, transfer pricing, collection and payments and reference price and subject to the decision rendered by the responsible unit per the level of authority referred to in Article 7 and then executed by the management department. The related matters shall be handled in accordance with the operating procedures required under the Company's internal control system, and the Procedure.
- II. The Company's unit responsible for executing the investment in securities is Financial Division. The execution units dedicated to real property and equipment refer to the requesting department and related responsible units. The acquisition or disposal of any assets other than securities investment, real property and equipment shall be executed upon evaluation conducted by the related execution units.
- III. If any director expresses dissent against the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Procedure or other laws or regulations, and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.
- IV. When the Company submits the report on acquisition or disposal of assets for discussion by the Board of Directors, 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 Board of Directors' meeting minutes.
- V. Any of the Company's transactions involving major assets or derivatives shall be approved by a majority of the whole Audit Committee members, and submitted to the Board of Directors for a resolution, and Paragraphs 4 and 5 of Article 31 herein shall apply *mutatis mutandis*.
- VI. The operations related to acquisition or disposal of assets shall be handled in accordance with the operating procedures required under the Company's internal control system, and the Procedure. The Company's related personnel who violate the Procedure or the Company's internal control requirements about acquisition or disposal of assets shall be punished in accordance with the Company's reward and punishment requirements, subject to the circumstances.

### Article 7 Level of authority applicable to acquisition or disposal of the Company's assets

Item	Amount	Responsible units			
		Board of Directors	Chairman	President	Responsible Authorities
Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities and asset-backed securities		Resolved	Under review	Under review	Under review
Real property		Resolved	Under review	Under review	Under review
Membership certificates, intangible assets, claims and equipment of financial institution	Less than NT\$10 million (inclusive)			Resolved	Under review
	More than NT\$10 million (exclusive)	Verified and recorded	Resolved	Under review	Under review
Acquisition of real property from related parties		Resolved	Under review	Under review	Under review
Merger, demerger, acquisition or transfer of shares		Resolved	Under review	Under review	Under review

### Article 8 The limit of investment by the Company and each of its subsidiaries in real property not for business use and the right-of-use assets thereof, and securities.

- I. The aggregate amount of the acquisition of real property and the right-of-use assets thereof shall not exceed 15% of the net worth in the latest financial statements.
- II. The aggregate amount of investment in securities shall not exceed 50% of the net worth in the latest financial statements.
- III. The amount of investment in securities shall not exceed 30% of the net worth in the latest financial statements individually.

Article 9 Criteria for public announcement and report

In the event that any of the following circumstances are met by the Company's acquisition and disposal of assets, the Company shall publicly announce and report the relevant information in appropriate format on the website designated by Financial Supervisory Commission (FSC) within 2 days after action has been taken depending on the nature of the assets:

- I. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. Mergers, demergers, acquisitions or transfer of shares.
- III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedure.
- IV. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the trading party is not a related party and the transaction amount meets any of the following criteria:
  - (1) where the Company's paid-in capital is less than NT\$10 billion and the transaction amount reaches NT\$500 million or more.
  - (2) where the Company's paid-in capital is more than NT\$10 billion and the transaction amount reaches NT\$1 billion or more.
- V. 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 trading counterpart is not a related party and the amount the Company expects to invest in the transaction reaches NT\$500 million.
- VI. Where an asset transaction other than any of those referred to in the preceding five sub-paragraphs, disposal of receivables by a financial institution or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - (1) Trading of domestic government bonds, or international bonds issued by a foreign central government with a sovereign rating not lower than the sovereign rating of the ROC.
  - (2) Trading of bonds under repurchase and resale agreements, or subscription for or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

- I. The amount of any individual transaction.
- II. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterpart within the preceding year.
- III. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedure need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th 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.

Upon acquisition or disposal of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports, and the opinions of any CPA, attorney and securities underwriter at the Company, where they shall be retained for 5 years, unless otherwise provided by other laws.

Article 10 Time limit for public announcement and report

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 preceding article, the Company shall publicly announce and report the relevant information on the website designated by FSC within 2 days counting inclusively from the date of occurrence of the event:

- I. Change, termination, or rescission of a contract signed in regard to the original transaction.
- II. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- III. Change to the originally publicly announced and reported information.

Article 11 The Company's control procedure for subsidiaries' acquisition or disposal of assets

- I. The Company shall urge its subsidiaries to enact and amend their own "procedures for acquisition or disposal of assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."
- II. Any of the Company's subsidiaries shall follow its own "procedure for acquisition or disposal of assets" when acquiring or disposing of assets.
- III. Information required to be publicly announced and reported in accordance with the Procedure on acquisitions and disposals of assets by the Company's subsidiary that is not itself a domestic public company be reported by the Company.
- IV. The threshold on the paid-in capital or total assets to be announced publicly and reported by a subsidiary shall be subject to the Company's paid-in capital or total assets.

Article 11-1 For the calculation of 10 percent of total assets under, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 12 Disclosures of Financial Statements

Where the Company's acquisition or disposal of assets satisfies the criteria for public announcement and report referred to in Article 9 herein and the trading counterpart is a de facto related party, the contents of the announcement shall be disclosed in the notes to the financial statements and reported at a shareholders' meeting.

Article 13. In acquiring or disposing of real property, equipment or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- I. 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 are any subsequent changes to the terms and conditions of the transaction.
- II. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- III. Where any of the following circumstances applies with respect to the professional appraiser's appraisal results, 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 certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (I) The discrepancy between the appraisal result and the transaction amount exceeds 20% of the transaction amount.
  - (II) The appraisal values presented by more than two professional appraisal firms showed variation of more than 10% of the transaction amount.
- IV. The date on which the professional appraisal firms issued the appraisal reports shall not fall beyond 3 months from the contract execution date. If the announced present value in the same period is applicable and is falling within 6 months, the original appraisal firms shall present a statement of opinion.

Article 14. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant 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 publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.

- Article 15. Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or membership certificates, and the transaction amount reaches 20 percent or more of the paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.
- Article 15-1 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Paragraph 2 of Article 29 herein, and "within the preceding year" as used 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 pursuant to the Procedure need not be counted toward the transaction amount.
- Article 16 Where 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 17 Those professional appraisers and their officers, certified public accounts, attorneys and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall satisfy the following requirements:
- I. Never received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, Company Act, Banking Act of The Republic of China, Insurance Act, Financial Holding Company Act or 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 the completion of service of the sentence, since expiration of the period of a suspended sentence or since a pardon was received.
  - II. May not be a related party or *de facto* related party of any party to the transaction.
  - III. 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 comply with the self-discipline standards of affiliated associations and the following:
    - I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience and independence.
    - II. When carrying out 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.
    - III. They shall undertake an item-by-item evaluation on adequacy and reasonableness of the sources of data used, parameters and information, as the basis for issuance of the appraisal report or the opinion.
    - IV. 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 adequate and reasonable and that they have complied with applicable laws and regulations.

### **Chapter III. Transactions with Related Party**

- Article 18 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 reasonableness of the transaction terms is appraised pursuant to said requirements, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion as required. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 15-1 herein. When judging whether or not a trading counterpart is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
- Article 19 When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by a majority of the Audit Committee members and resolved upon approval by the Board of Directors:
- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
  - II. The reason for choosing a related party as the trading counterpart.
  - III. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal on the reasonableness of the preliminary transaction terms in accordance with Article 20 and Article 21 herein.
  - IV. The date and price at which the related party originally acquired the real property, the original trading counterpart, and trading counterpart's relationship to the Company and the related party.
  - V. The projection of cash flows from the month the agreement is made in one year ahead with assessment of the necessity of the transaction and the reasonableness of capital utilization.
  - VI. An appraisal report from a professional appraiser or a CPA's opinion obtained according to the preceding article.
  - VII. Restrictions and other important covenants for the transaction concerned.

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 7 delegate the Board Chairman to decide such matters when the transaction is within NT\$10 million and have the decisions subsequently submitted to and ratified by the next Board of Directors' meeting:

I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

II. Acquisition or disposal of right-of-use assets of the real property held for business use.

When the Company appoints independent directors pursuant to the laws and a matter is submitted for discussion by the Board of Directors pursuant to Paragraph 1, 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 Board of Directors' meeting minutes.

When transactions pursuant to Paragraph 1 to be conducted between the Company and its subsidiary, which is not a domestic public company and the transaction amount reaches 10 percent or more of the Company's total assets, the Company may not proceed to enter into a transaction contract or make a payment until the matters prescribed in Paragraph 1 have been approved by the shareholders' meeting; However, this requirement does not apply to transactions between the Company and its parent or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in Paragraph 1 and the preceding paragraph shall be done in accordance with Paragraph 2 of Article 9 herein, and "within the preceding year" as used refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by Audit Committee and also by the Board of Directors and shareholders' meeting need not be counted toward the transaction amount.

Article 20 When acquiring real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

I. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the assets; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

II. 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 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparts.

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 in the preceding paragraph.

When acquiring 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 two paragraphs, the Company shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 19 herein, and the preceding three paragraphs do not apply:

I. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.

II. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.

III. 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.

IV. The right-of-use assets of real property 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.

Article 21 When the results of the Company's appraisal conducted in accordance with Paragraph 1 and Paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 22 herein. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

I. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

(I) Where undeveloped land is appraised in accordance with the means in the preceding 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 3 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.

(II) Completed transactions by non-related parties within the preceding year involving other floors of the same property or neighboring 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.

II. Where the Company, after 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 non-related parties within the preceding year.

The completed transactions involving neighboring land in the preceding paragraph 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 publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by non-related parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

Article 22 Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:

- I. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property and the right-of-use assets thereof transaction price and the appraised cost and may not be distributed or used for capital increase or issuance of bonus shares. Where the investor who uses the equity method to account for its investment in the Company is a public company, then the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside *pro rata* in a proportion consistent with the share of the public company's equity stake in Company.
- II. The independent directors shall comply with Article 218 of the Company Act.
- III. Actions taken pursuant to the preceding two sub-paragraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company, after having set aside a special reserve under the preceding paragraph, 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 the FSC has given its consent.

When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

#### **Chapter IV. Engagement in Derivatives Trading**

Article 23 When engaging in derivatives trading, the Company shall comply with the Company's "Procedure for Derivatives Trading" and pay strict attention to control of risk management and auditing matters to practice the internal control system.

#### **Chapter V. Merger, Demerger, Acquisition and Transfer of Shares**

Article 24 When conducting a merger, demerger, acquisition or transfer of shares, the Company, prior to convening the Board of Directors' meeting to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness 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 said 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 percent 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 percent of the respective subsidiaries' issued shares or authorized capital.

When participating in a merger, demerger, acquisition or transfer of shares, the Company shall prepare a public report to shareholders detailing the important contractual contents and matters relevant to the merger, demerger or acquisition prior to the shareholders' meeting and include it along with the expert's opinion referred to in the preceding sub-paragraph when sending shareholders the notification of the shareholders' meeting for reference in deciding whether or not to approve the merger, demerger or acquisition. Provided, where any other laws exempt the Company from convening a shareholders' meeting to approve the merger, demerger or acquisition, this restriction shall not apply. 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 measure and the preliminary date of the next shareholders' meeting.

Article 25 The Company shall convene a Board of Directors' meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger or acquisition, unless otherwise provided by the laws or the FSC is notified in advance of the extraordinary circumstances and grants its consent.

When participating in a transfer of shares, the Company shall convene a Board of Directors' meeting on the day of the transaction, unless otherwise provided by the laws or the FSC is notified in advance of extraordinary circumstances and grants its consent.

When participating in a merger, demerger, acquisition or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:

- I. Personnel profile: 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 transfer of another company's shares prior to disclosure of the information.
- II. 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.
- III. Important documents and minutes: including merger, demerger, acquisition and share transfer plans, any letter of intent or memorandum of understanding, materials contracts and minutes of Board of Directors' meetings.

When participating in a merger, demerger, acquisition or transfer of another company's shares, the Company shall, within 2 days counting inclusively 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 sub-paragraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

- 
- Where any of the companies participating in a merger, demerger, acquisition or transfer of another company's shares together with the Company is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company and Paragraph 3 and Paragraph 4 herein shall apply.
- Article 26 When participating in a merger, demerger, acquisition or transfer of shares, the Company 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, demerger, acquisition or transfer of shares:
- I. 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 securities.
  - II. An action, such as a disposal of major assets, that affects the Company's financial operations.
  - III. An event, such as a major disaster or major change in technology, that affects shareholders' equity or share price.
  - IV. An adjustment where any of the companies participating in the merger, demerger, acquisition or transfer of shares from another company, buys back treasury stock pursuant to laws.
  - V. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition or transfer of shares.
  - VI. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- Article 27 Every person participating in or privy to the plan for merger, demerger, acquisition, 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, demerger, acquisition or transfer of shares.
- Article 28 The contract for participation by the Company in a merger, demerger, acquisition or transfer of shares, shall record the rights and obligations of the companies participating in the merger, demerger, acquisition or transfer of shares, and also record the following:
- I. Handling of breach of contract.
  - II. Principles for the handling of equity securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - III. 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.
  - IV. The manner of handling changes in the number of participating entities or companies.
  - V. Preliminary progress schedule for plan execution and anticipated completion date.
  - VI. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.
- Article 29 Where, after public disclosure of the information upon the Company's participation in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition or share transfer 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, demerger, acquisition or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing its 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.
- Chapter VI. Supplementary Provisions**
- Article 30 Deleted.
- Article 31 Enactment and Amendment
- The Procedure shall be submitted to the Board of Directors for resolution after being approved by the Audit Committee and then to a shareholders' meeting for approval. The same shall apply where the Procedure is amended.
- When the Company submits the Procedure for Acquisition or Disposal of Assets for discussion by the Board of Directors, 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 Board of Directors' meeting minutes.
- The Company's enactment of or amendments to the Procedure, if any, shall be subject to approval of a majority of all Audit Committee members and submitted to the Board of Directors for resolution.
- If the approval of a majority of all Audit Committee members as required in the preceding paragraph is not obtained, the Procedure 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.
- The terms "all Audit Committee members" referred to Paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.