

## **Procedures for Acquisition or Disposal of Assets of Compal Electronics, Inc.**

### **Article 1 Purpose and Legal Basis:**

In order to strengthen the Company's asset management, protect its investment and fulfill its information transparency, these Processing Procedures are adopted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and related regulations.

### **Article 2 Definition and Scope:**

1. The term "assets" as used in these Processing Procedures includes the following:
  - (1) 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.
  - (2) Real property (including land, houses and buildings, investment property and rights to use land), equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets.
  - (3) Derivatives.
  - (4) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law.
  - (5) Other major assets.
2. The term "derivatives" as used herein 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 (sales) agreements.
3. The term "assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law" as used herein are the ones acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, other acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
4. The term "related party" as used herein refers to the one defined by the competent authority.
5. The term "subsidiary" as used herein refers to the one defined by the competent authority.
6. The term "professional appraiser" as used herein refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment.
7. The term "date of occurrence" as used herein refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of

directors resolutions, or other date 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.

8. The term “Mainland area investment” as used herein refers to investments in China 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.
9. The term “10 percent of total assets” as used herein refers to 10 percent of total assets stated in the most recent standalone or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Article 3 Authorized Limit:**

The Company and its subsidiaries may acquire, dispose or continue to hold the various assets as referred to in these Processing Procedures. However, the amount of the securities investment, non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall follow the limitation as regulated by the company. Any amount beyond the limitation shall be approved by the board of directors through the resolution before acquisition or disposition.

#### **1. Limit Authorized by the Company**

- (1) The total amount of the securities investment, non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed an amount equal to 1.5 times the net value of the Company.
- (2) The total amount of the investment in the securities expected to be held for one year or more shall not exceed the Company’s net value, while the amount of the singular investment in the securities expected to be held for one year or more shall not exceed 50% of the Company’s net value.
- (3) The total amount of the investment in the securities expected to be held for less than one year shall not exceed 50% of the Company’s net value, while the amount of the singular investment in the securities expected to be held for less than one year shall not exceed 20% of the Company’s net value.
- (4) The total amount of the held non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 10% of the Company’s net value, while the amount of the held singular non-operating real property, equipment, memberships and other intangible assets shall not exceed 5% of the Company’s net value.

#### **2. Subsidiary’s Authorized Limit:**

- (1) The total amount of the investment in securities, non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 1.5 times the net value of each

subsidiary.

- (2) The total amount of the investment in the securities expected to be held for one year or more shall not exceed each subsidiary's net value, while the amount of the singular investment in the securities expected to be held of one year or more shall not exceed 50% of each subsidiary's net value.
- (3) The total amount of the investment in the securities expected to be held for less than one year shall not exceed 50% of each subsidiary's net value, while the amount of the singular investment in the securities expected to be held for less than one year shall not exceed 20% of each subsidiary's net value.
- (4) The total amount of the held non-operating real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall not exceed 10% of each subsidiary's net value, while the amount of the held singular non-operating asset items shall not exceed 5% of each subsidiary.

The term "net worth" as mentioned above shall mean the equity attributable to the stockholders of the Parent Company in the most recent audited balance sheet as prepared in accordance with the requirements of the competent authorities.

#### **Article 4 Decision-Making and Delegation of Authorization to Approve Transaction Terms:**

1. In order to meet the fast variety of the market environment, the acquisition or disposition of the securities expected to be held for less than one year shall be processed according to the approval purview regulated by the company.
2. For the acquisition or disposal of securities that are expected to, or has been, hold for at least 1 year, real estates, equipment, intangible assets including membership, patent, copyright, trademark, franchise and license in an amount for a single item of equal or greater than NT\$300 million, the action must be approved by the Board of Directors; for such action in an amount for a single item of less than NT\$300 million, the Board of Directors delegates its authorization power to the Chairman.
3. If the acquisition or disposition of the foresaid asset falls in the scope of items for special resolution of the Board of Directors as provided for in Article 185 of Company Act, the case shall be submitted to the Board of Directors for approval and then forwarded to the Meeting of Shareholders for approval before implementation.
4. Related party transactions shall be handled in accordance with the provisions of Article 7 herein.

#### **Article 5 Processing Procedure for the Acquisition or Disposition of Securities Investment**

1. Appraisal and Operating Procedures

In acquiring or disposing of securities investment, the executive unit designated by the Chairman of the Company shall form an investment evaluation panel. Such panel shall cooperate with the financial unit to complete an analysis report for the sources

of fund raising and application. Unless the securities have public quotes of active market or otherwise provided by the competent authorities, the Company shall first obtain the most recent financial statement, audited and attested by a certified public accountant (“CPA”), of the underlying company for reference in appraising the transaction price. In addition, feasibility analysis and research shall also be conducted according to the investment purpose, product market, development potential, financial status, expected revenue, investment portfolio, share holding ratio and organization operation, so as to lay down a concrete investment implementation plan and submit the same to the authorization unit for approval. The respective operation procedures shall be conducted in compliance with the Company’s rules governing the investment cycle under the Company’s internal control system.

2. The Units Responsible for Implementation

The acquisition and disposition of securities shall be handled by the executive unit designated by the Chairman of the Company.

3. Expert Opinion

For the acquisition or disposition of the securities with a transaction amount reaching or beyond 20% of the Company’s paid-in capital or NT\$300 million, or the transaction value for a related party transaction reaches 10 % or more of the Company’s total assets, the Company shall also engage a certified public accountant (“CPA”) prior to the date of occurrence of the event to render an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authorities.

**Article 6 Processing Procedure of the Acquisition or Disposition of Real Property, Other Fixed Assets, Memberships, Patents, Copyrights, Trademarks, Franchise Rights, and Other Intangible Assets, etc. :**

1. Appraisal and Operating Procedures

For the Company’s acquisition and disposition of real property, equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc, the executive unit shall render the department investment budget according to the Company’s internal management rules, and make evaluation as well as analysis on the underlying objects. In addition, it shall conduct the feasibility analysis and research according to pre-investment status, investment motivation and purpose, investment cost, expected years to get breakeven, analysis on the investment efficiency and etc., lay down a concrete investment implementation plan and submit such plan to the authorization unit for approval. The respective operation procedures shall be conducted in compliance with the rules regarding the fixed assets and other investment cycle under the Company’s internal control system.

2. The Units Responsible for Implementation

The acquisition or disposition of real property shall be handled by the executive unit

designated by the Chairman of the Company. The acquisition or disposition of equipment, memberships, patents, copyrights, trademarks, franchise rights, and other intangible assets, etc. shall be handled by the utilization unit or the unit designated by the Chairman of the Company.

### 3. Appraisal or Assessment Report

#### (1) Report on Appraisal of Real Property or Equipment

In acquiring or disposing real property or equipment where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, or the transaction value for a related party transaction reaches 10 % or more of the Company's total assets, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment, 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, and the same procedure shall be followed for any future 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 one 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 CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and 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 is 20% or more of the transaction amount.
  - (ii) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- iv. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser

#### (2) Expert Assessment Report on the Memberships or Intangible Assets

Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% or more of paid-in capital or NT\$300

million or more or the transaction value for a related party transaction reaches 10 % or more of the Company's total assets, except in transactions with a government agency, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF

#### 4. Calculation of the Transaction Amounts

The calculation of the transaction amounts referred to in the preceding Article and this Article shall be done in accordance with Article 10, Paragraph 1, Sub-paragraph 5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

### **Article 7 Related Party Transactions:**

1. 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, if the transaction amount reaches 10% 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 in compliance with the provisions of the preceding Article and this Article.

The calculation of the transaction amount referred to above in this Paragraph shall be made in accordance with Article 6, Paragraph 4 herein.

2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except for trading of government bonds or bonds under repurchase and resale agreements, or subscription or buyback 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 agreed by the audit committee and approved by the Board of Directors.

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraphs 3 and 4 of this Article.
- (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 evaluation of the necessity of the

transaction, and reasonableness of the funds utilization.

(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph 1 of this Article.

(7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to above in this Paragraph shall be made in accordance with Article 10, Paragraph 1, Sub-paragraph 5 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been agreed by the audit committee and approved by the Board of Directors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of business-use equipment between the Company and its parent company or subsidiaries, the Company's Board of Directors may, pursuant to Article 3 through Article 5, delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board meeting.

3. When acquiring real property from a related party shall evaluate the reasonableness of the transaction costs by the following means (Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below.):

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

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

4. When acquiring real property from a related party and appraises the cost of the real property in accordance with the preceding paragraph shall also engage a CPA to check the appraisal and render a specific opinion.

5. When acquiring real property from a related party, the regulations stipulated in the preceding two paragraphs can be exempted in any of the following conditions. However, what is regulated in paragraph 2 shall still be followed:

(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, or through engaging a related party to build real property, either on the company's owned or rented land.

6. In the case that the transaction price of the real property acquiring from a related party is higher than the result of the assessment made according to paragraph 3 of this Article, it shall be processed in compliance with paragraph 7 of this Article. 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:

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

i. Where undeveloped land is appraised in accordance with the means set out in paragraph 3 of this Article, and structures are appraised according to the related party's construction cost plus reasonable construction profit, and the aggregate appraised value of such land and structures is in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

ii. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or properties in the neighboring area, 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 practices.

iii. Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

(2) Acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of properties of a similar size in the neighboring area by unrelated parties within the preceding year.

(3) Completed transactions for properties in the neighboring area in paragraph (1) and (2) in principle refers to properties located 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; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property.



7. Acquiring real property from a related party and the results of appraisals conducted in accordance with the paragraph 3 and 6 of this Article are uniformly lower than the transaction price, or if there is any evidence suggesting the transaction is not in line with normal business practice, 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 Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. The special reserve set aside in accordance with the preceding provision shall not be utilized until the Company 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 based on other evidence confirming that there was nothing unreasonable about the transaction, and approval for utilization has been granted by the competent authority.
- (2) The audit committee shall comply with the provisions of Article 218 of the Company Act.
- (3) The processing status of (1) and (2) shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

**Article 8 Processing Procedure for the Acquisition or Disposition of Derivatives:**  
Engaging in derivatives trading shall be subject to the relevant provisions as provided for in the Procedures for Financial Derivatives Transactions.

**Article 9 Processing Procedure of the Merger, Demerger, Acquisition, or Transfer of Share:**

1. Assessment and operation procedure

- (1) When implementing the merger, demerger, acquisition, or transfer of shares, the Company shall invite the attorney, CPA and securities underwriter to work out a time table for legal proceedings, and set up a panel to implement the legal procedure. At the same time, prior to convening the board of directors meeting to resolve on the matter, the Company 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 the aforesaid expert opinion on reasonableness 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 total issued shares or capital amount, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiary's total issued shares or capital amount.
- (2) The Company shall prepare a public report to shareholders detailing important

contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in subparagraph (1) of paragraph 1 of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a 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 measures, and the preliminary date of the next shareholders meeting.

## 2. Other Matters

- (1) **Board Meeting Date:** A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the same day to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the same day, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- (2) **Non-Disclosure Agreement:** 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.
- (3) **The Principle to Decide on the Share Exchange Ratio or Acquisition Price and the Change Thereof:** Before convening the board of directors for resolution, all of the companies participating in the merger, demerger, acquisition, or transfer of shares 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. In principle, the share exchange ratio or acquisition price shall not be discretionarily changed, unless the terms of change have been regulated in the contract. The following are the terms that allow the change of the share exchange ratio or acquisition price:
  - i. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants,

preferred shares with warrants, stock warrants, or other equity based 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 shareholder 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.
  - 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.
- (4) Contents Required to be Stated in a Contract: In addition to provisions governing the merger, demerger, acquisition or transfer of shares under Article 317-1 of the Company Act and Article 22 of Business Mergers and Acquisition Act, and shall also record the following:
- i. Handling of breach of contract.
  - ii. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is 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.
- (5) Change of the Number of the Companies Participating in the Merger, Demerger, Acquisition, or Transfer of Shares: After public disclosure of the information, if any company participating 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 the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (6) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement

with the non-public company whereby the latter is required to abide by the paragraph 2 (1) of this Article (Date of Board Meeting), paragraph 2(2) of this Article (Non-Disclosure Agreement), and paragraph 2 (5) of this Article (Change of the Number of the Companies Participating in the Merger, Demerger, Acquisition, or Acquisition of Shares ).

- (7) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:
  - i. Basic identification data for personnel:

Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, 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, material contracts, and minutes of board of directors meetings.
- (8) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in Paragraph 2, Sub-paragraph 7, Items a & b of this Article to the competent authorities for recordation.
- (9) 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(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraph 2 (7) and (8).

#### Article 10 Information Transparency and Disclosure Procedure:

##### 1. Items to be announced and the standards of announcement and declaration

- (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or buyback of money market funds issued by

domestic securities investment trust enterprises.

- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- (4) Where the type of asset acquired or disposed is equipment for operational use, the trading counterparty is not a related party, and the transaction amount reaches NT\$ 1 billion or more.
- (5) Where real property 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 the amount the Company expects to invest in the transaction reaches NT\$500 million or more.
- (6) Where an asset transaction, other than any of those referred to in the preceding five subparagraphs, or investment in the mainland area reaches 20% or more of paid-in capital of the Company or NT\$300 million; provided, this shall not apply to the following circumstances:
  - i. Trading of government bonds.
  - ii. Trading of bonds under repurchase and resale agreements, or subscription or buyback of money market funds issued by domestic securities investment trust enterprises.
- (7) The following are the ways to calculate the transaction amounts as mentioned in the preceding Sub-paragraphs (1), (4), (5) and (6), in which, the so-called within one year is calculated from one year ahead of the fact occurrence date of this transaction. However, the part which has been announced according to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" can be exempted from re-calculation.
  - i. The amount of any individual transaction;
  - ii. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year;
  - iii. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year;
  - iv. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.
- (8) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authorities by the tenth day of each month.

## 2. Time limit for processing the announcement and declaration

For the assets acquired or disposed by the company requiring to be announced as regulated in Paragraph 1 of this Article and with the transaction amounts reaching the standards required to be announced and declared as regulated in this Article, the announcement and declaration shall be processed within two days commencing immediately from the date of occurrence of such transaction.

3. The announcement and declaration procedure

- (1) The Company shall post the related information on the website designated by the competent authorities as announcement and declaration.
- (2) 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 from (and inclusive of) the day when the Company becomes aware of such error or omission.
- (3) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for five years except where another act provides otherwise.
- (4) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this Article, a public report of relevant information shall be made on the information reporting website designated by the competent authorities within two days from the day of occurrence of such 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 Announcement formats and contents:**

The announcement formats and contents regarding asset acquisition or disposition shall be in compliance with the regulations stipulated by the competent authorities.

**Article 12 For its subsidiaries, the company shall follow the regulations below to proceed with the necessary procedure:**

The Company shall urge its subsidiaries to enact their own procedures for acquisition and disposal of assets in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and implement such procedures accordingly.

The Company shall give announcement and declaration if its subsidiaries are not the public listed companies and their acquired or disposed assets reach the standard requiring announcement and declaration. The so-called “reaching 20% of Company’s paid-in capital or 10% of the total assets.” as referred to in the announcement and declaration standard for the subsidiary is based on the Company’s paid-in capital or

total assets.

### **Article 13 Penalty:**

The Company's employees violating this processing procedure and other related statutory laws and regulations shall be punished according to the reward and punishment in the company's personnel regulations.

### **Article 14 Other matters**

1. The professional appraiser issuing the appraisal report for the Company, CPA, attorney, and securities underwriting firms giving opinion lists for the Company, and the Company's transaction involving parties shall not be the related parties.
2. For the assets acquired or disposed through the court auction procedure, the Company may use the certificate documents issued by the court to replace the appraisal report or CPA's opinions.
3. For the items not included in the procedure, please follow the related statutory laws and regulations and the company's rules. If the original statutory laws, regulations and letter orders for the processing procedure of the acquisition or disposition of assets have been changed by the competent authorities, the Company shall follow the new statutory laws, regulations and letter orders accordingly.

### **Article 15 Enforcement and revision:**

After agreed by no less than half of all the audit committee members, and approved by the Board of Directors, the procedure shall be submitted to the shareholders' meeting for approval before enforcement. The same also applies to revision.

When the procedure is submitted to the Board of Directors for discussion, the independent director's opinions shall be fully taken into consideration. If any independent director has any dissenting opinions or makes any reservation, they shall be stated in the minutes of the meeting of the Board of Directors.

If pursuant to the applicable laws and regulations, the acquisition and disposal of assets should be approved by the audit committee, such transaction should be agreed by no less than half of the audit committee members, and approved by the Board of Directors.

The independent director's opinions shall be fully taken into consideration when, pursuant to the applicable laws and regulations, a transaction of asset acquisition or disposition is submitted to the Board of Directors for discussion. If the independent director has any dissenting opinions or makes any reservation, they shall be stated in the minutes of the meeting of the Board of Directors.

If the above processing procedure fails to be approved by more than half of all the audit committee members, the approval of 2/3 of all the Directors can be replaced to pass the procedure. However, in this case, the resolution made by the audit committee members shall be stated in the Board meeting's minute book.

The calculation of the number of the above mentioned audit committee members and Directors is based on those who take office.

## **Article 16 Additional Provisions**

These Procedures were approved by the Board of Directors Meeting and entered into force on June 23, 1989.

The 1<sup>st</sup> amendment was approved by the Board of Directors Meeting and entered into force on September 19, 1991.

The 2<sup>nd</sup> amendment was adopted by the Board of Directors Meeting on June 22, 1995 and entered into force after it was approved by the Annual General Shareholders' Meeting on March 27, 1996.

The 3<sup>rd</sup> amendment was approved by the Board of Directors Meeting on August 29, 1996 and entered into force after it was approved by the Annual General Shareholders' Meeting May 29, 1997.

The 4<sup>th</sup> amendment was approved by the Board of Directors Meeting on November 24, 1999 and approved by the Annual General Shareholders' Meeting on March 30, 2000.

The 5<sup>th</sup> amendment was approved by the Board of Directors Meeting on March 17, 2003 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 10, 2003.

The 6<sup>th</sup> amendment approved by the Board of Directors Meeting on April 23, 2007 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 15, 2007.

The 7<sup>th</sup> amendment was approved by the Board of Directors Meeting on July 23, 2008 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 19, 2009.

The 8th Amendment was approved by the Board of Directors Meeting on April 30, 2012 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 22, 2012.

The 9th amendment was adopted by the Board of Directors of the Company held on May 9, 2013 and entered into force after the approval by the General Shareholders Meeting on June 21, 2013.

The 10th Amendment was approved by the Board of Directors Meeting on May 8, 2014 and entered into force after it was approved by the Annual General Shareholders' Meeting on June 20, 2014.

The 11th Amendment was approved by the Board of Directors Meeting on May 11, 2015 and entered into force after it was approved by the Annual General Shareholders' meeting on June 26, 2015.

The 12<sup>th</sup> amendment was approved by the Board of Directors Meeting on May 10, 2017 and entered into force after it was approved by the Annual General Shareholders' meeting on June 22, 2017.