

InnoCare Optoelectronics Corporation

Procedures for the Acquisition and Disposal of Assets

Article 1 Purpose

To build institutionalized standards for the acquisition or disposal of the Company's assets, in order to ensure that both acquisition and disposal of assets go through appropriate processes of evaluation and approval, the implementation of proper information disclosure, and to comply with the provisions of related laws.

Article 2 Statutory Basis

It is based on the content of Article 36-1 of the Securities and Exchange Act and Financial Supervisory Commission Document Standards for "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."

Article 3 Assets Scope

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, and investment property) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

Article 4 Definition of Terms

1. 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 variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. 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 transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. 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.
5. Date of occurrence: 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.
6. 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.

7. 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.
8. Over-the-counter venue ("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.

Article 5 The limit of real property and right-of-use assets thereof held for non-business use or securities invested by the Company and its subsidiaries shall be in accordance with following provisions:

1. Investment limits of the Company:
 - A. The investment of real property and right-of-use assets thereof held for non-business use shall not exceed 20 percent of the Company's net worth.
 - B. The total investment of securities shall not exceed the Company's net worth, and the amount that is invested in an individual security shall not exceed 50 percent of the Company's net worth.
2. Investment limits of the subsidiary:
 - A. The investment of real property and right-of-use assets thereof held for non-business use shall not exceed 20 percent of the Company's net worth.
 - B. The total investment of securities shall not exceed the Company's net worth, and the amount that is invested in an individual security shall not exceed 50 percent of the Company's net worth.

The total amount of the investment in securities is calculated based on the original cost of the investment.

Article 6 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 meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the

sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.

4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

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 7

Procedures for the acquisition or disposal of real property, equipment, or right-of-use assets thereof

1. Appraisal procedures

The department in charge of assets shall perform feasibility assessment and prepare the report on real property, equipment, or right-of-use assets thereof to be acquired or disposed of by the Company and such acquisition or disposal may only take place once it is signed jointly by the business management department and approval is obtained according to the Company's Decision-making Power Guidelines.

2. Operating procedures

- A. 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:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be approved by one-half or more of all Audit Committee members in advance and submitted to the Board of Directors for approval. The requirements under Article 17 Paragraphs 2 and 3 may apply and the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) 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 certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (a) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - (b) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) 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.

- B. Once assets are acquired, their registration, management, and use shall be based on the Company's Fixed Assets Management Regulations.

3. Transaction conditions and procedures to decide the authorized amount

- A. Price determination and reference basis

The acquisition or disposal of real property, equipment, or right-of-use assets thereof is

subject to a proposal submitted by the unit with demand that includes the rationale, the reference current value publicly announced, the completed transaction price involving neighboring real property, among others, and processes such as price inquiry, price negotiation, or tendering.

B. Authorization level

- (1) In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount is less than 20 percent of the Company's paid-in capital, it shall be handled subject to the decision-making power in the Company; when it reaches 20 percent and above of the Company's paid-in capital, on the other hand, it shall be approved by one-half or more of all Audit Committee members in advance and submitted to the Board of Directors for approval before it may take place and the requirements under Article 17 Paragraphs 2 and 3 shall apply.
- (2) The acquisition or disposal of equipment or right-of-use assets thereof held for business use, with the counterpart not a related party, it shall be handled subject to the decision-making power in the Company.
- (3) While signing a transaction contract with the counterpart, in light of operational demand and timeliness, the Board of Directors authorizes the Chairman to approve it first to facilitate the contract-signing process and to bring it forth in the most recent Board of Directors meeting after it takes place.

4. Transaction process

The acquisition or disposal of real property, equipment, or right-of-use assets thereof throughout the Company shall be based on the requirements for related property, plant, and equipment cycle as part of the Company's Internal Control System.

Article 8 Procedures for the acquisition and disposal of investments in securities

1. Appraisal procedures

- A. 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.
- B. 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. 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 Financial Supervisory Commission.
- C. For securities traded on the securities exchange or over-the-counter venue, the current share price or bond price shall be followed.
- D. For securities not traded on the securities exchange or over-the-counter venue, the rationale or calculation basis for the transaction price and the trading conditions shall be submitted to the Chairman for approval before such trading may take place.

2. Operating procedures

- A. Evaluation, trading, settlement, and tabulation (listing): the respective organizer is to take charge.
- B. Safekeeping: Securities acquired by the Company are to be exclusively handed over to the financial unit for centralized retention or be placed in a safe (cabinet).
- C. Evaluation: The financial unit collects related data as required by the related Accounting Standards and submits such data to the accounting unit for subsequent periodic evaluations.

3. Transaction conditions and procedures to decide the authorized amount

- A. For the government bonds, corporate bonds, financial bonds, bank debentures, securities representing interest in a fund, and asset-backed securities indicated in Article 3 Paragraph 1 of the Procedures, if the dollar amount of the transaction is less than 20 percent, inclusive,

of the Company's paid-in capital, the highest-ranking financial supervisor is authorized to make a decision. If it reaches above 20 percent of the Company's paid-in capital, it shall be approved by one-half or more of all Audit Committee members in advance and submitted to the Board of Directors for approval before it may take place and the requirements under Article 17 Paragraphs 2 and 3 shall apply.

- B. For the stocks, depository receipts, call (put) warrants, and beneficial interest securities indicated in Article 3 Paragraph 1 of the Procedures, if the dollar amount of the transaction is less than 5 percent, inclusive, of the Company's paid-in capital, the Chairman is authorized to make a decision. If it reaches above 5 percent of the Company's paid-in capital, it shall be approved by one-half or more of all Audit Committee members in advance and submitted to the Board of Directors for approval before it may take place and the requirements under Article 17 Paragraphs 2 and 3 shall apply.

4. Transaction process

The acquisition or disposal of investments in securities throughout the Company shall be based on the requirements for related investment cycle as part of the Company's Internal Control System.

Article 9 Procedures for the acquisition or disposal of intangible assets or right-of-use assets thereof

The unit with demand shall perform feasibility assessment and prepare the report on intangible assets or right-of-use assets thereof to be acquired or disposed of by the Company.

1. Operating procedures

Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of 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.

2. Transaction conditions and procedures to decide the authorized amount

A. Price determination and reference basis:

The unit with demand shall submit the transaction prices of equivalent intangible assets or right-of-use assets thereof on the market and may engage professional appraisers to render an appraisal report.

B. Authorization level

Where the transaction amount is less than 20 percent of the Company's paid-in capital, inclusive, the responsible unit is authorized to make a decision in accordance with the Decision-making Power Guidelines; when it reaches 20 percent and above of the Company's paid-in capital, it shall be approved by one-half or more of all Audit Committee members in advance and submitted to the Board of Directors for approval before it may take place and the requirements under Article 17 Paragraphs 2 and 3 shall apply.

3. Transaction process

The acquisition or disposal of intangible assets or right-of-use assets thereof throughout the Company shall be based on the requirements for related purchase and payment cycle as part of the Company's Internal Control System.

Article 10 Transaction with Related Parties

- 1. When the Company intends to acquire or dispose of assets from or to a related party, besides Articles 7, 8, and 9 herein that shall be followed for related decision-making procedures and evaluating the legitimacy of transaction conditions, among others, for those with a transaction amount reaching 10 percent and above of the Company's total assets and the appraisal reports issued by professional appraisers or CPA's opinions shall be obtained as required by Articles 7, 8, and 9 as well.

When determining if a counterpart is a related party, besides paying attention to the legal form, de facto relationship shall be considered as well.

2. Appraisal and operating procedures

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 one-half or more of all Audit Committee members in advance and submitted to the Board of Directors for approval. The requirements under Article 17 Paragraphs 2 and 3 may apply:

- A. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- B. The reason for choosing the related party as a transaction counterparty.
- C. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3 Sub-paragraphs A and D herein.
- D. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- E. 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.
- F. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- G. Restrictive covenants and other important stipulations associated with the transaction.

When a matter is submitted 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 minutes of the Board of Directors meeting.

3. Legitimacy assessment of transaction cost in acquisition of real property or right-of-use assets thereof from related party

- A. The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 - (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 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 transaction counterparties.
- B. 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.
- C. The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with Paragraph 3 Sub-paragraphs A and B herein shall also engage a CPA to check the appraisal

and render a specific opinion.

D. When the results of the Company's appraisal conducted in accordance with Paragraph 3 Sub-paragraphs A and B herein are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 3 Sub-paragraph E 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:

- (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:
 - (a) Where undeveloped land is appraised in accordance with the means in Paragraph 3 Sub-paragraph A and B herein, 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.
 - (b) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- (2) Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring or closely valued parcels of 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 unrelated 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.

E. 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 Paragraph 3 Sub-paragraphs A and B herein are uniformly lower than the transaction price, the following steps shall be taken:

- (1) A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange 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. 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 1 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) Independent Directors shall comply with Article 218 of the Company Act.
- (3) Actions taken pursuant to Paragraph 3 Sub-paragraph E Points (1) and (2) herein 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 that has 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 Financial Supervisory Commission has given its consent.

- F. When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with Paragraph 3 Sub-paragraph E herein if there is other evidence indicating that the acquisition was not an arm's length transaction.
- G. 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 Paragraph 2 and 4 herein, and the Paragraph 3 Sub-paragraph A, B and C herein do not apply:
 - (1) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
 - (2) 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.
 - (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.
 - (4) The real property right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital.
- 4. 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 the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may delegate the Chairman to decide such matters when the transaction is within NTD 60 million and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:
 - A. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
 - B. Acquisition or disposal of real property right-of-use assets held for business use.
- 5. If the Company or its subsidiary thereof that is not a domestic public company will have a transaction set out in Paragraph 1 and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in Paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its Parent Company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in Paragraph 1 and the preceding paragraph shall be made in accordance with Article 13 Paragraph 2 Sub-paragraph G 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 submitted to the shareholders' meeting, approved by one-half or more of all Audit Committee members in advance and submitted to the Board of Directors for approval need not be counted toward the transaction amount.

Article 11 The procedures of engaging in acquisition or disposal of derivatives is based on the Company's Procedures for Engaging in Derivatives Trading.

Article 12 Procedures for assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares

- 1. Appraisal and operating procedures
 - A. The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage an attorney, CPA,

or securities underwriter together discuss and decide on the estimated timetable of legal procedure, and to form special project team to execute accordingly.

Prior to convening the Board of Directors meetings to resolve on the merger matter, the Audit Committee of the Company will resolve on the fairness and reasonableness of this merger plan and the transaction according to the Securities and Exchange Act and to submit such resolution to the Board of Directors.

When the Audit Committee deliberating the matters, it shall engage independent advisors to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders.

However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of its 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.

- B. The Company participating in a merger, demerger, acquisition, or transfer of shares 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 Paragraph 1 Sub-paragraph A herein 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 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 measures, and the preliminary date of the next shareholders meeting.

2. Other matters requiring attention

- A. Date of the Board meeting: The Company participating in a merger, demerger, or acquisition 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 another act provides otherwise or the Financial Supervisory Commission 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 day of the transaction, unless another act provides otherwise or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent.

- B. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the 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 5 years for reference:
- (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 - (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
 - (3) Important documents and minutes: Including merger, demerger, acquisition, and share

transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

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 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 Sub-paragraphs B Points (1) and (2) herein to the Financial Supervisory Commission for recordation.

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 Sub-paragraphs B Points (1) and (2) herein.

- C. Prior Confidentiality Commitment: 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.
- D. The principles for altering the share exchange ratio or acquisition price: Participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
 - (1) 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.
 - (2) An action, such as a disposal of major assets that affects the Company's financial operations.
 - (3) An event, such as a major disaster or major change in technology that affects 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, buys back treasury stock.
 - (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- E. Matters that shall be noted in contract: 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 shall also record the following:
 - (1) Handling of breach of contract.
 - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - (4) The manner of handling changes in the number of participating entities or companies.
 - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
 - (6) Scheduled date for convening the legally mandated shareholders meeting if the plan

exceeds the deadline without completion, and relevant procedures.

- F. The changes in the number of entities or 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.
- G. 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 Paragraph 2 Sub-paragraphs A, B, C, and F herein.

Article 13 Procedures of public disclosure of information

1. The deadline of public announcement and report

For any of the circumstances indicated in Paragraph 2 herein, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the Financial Supervisory Commission's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event.

2. Items and criteria subject to public announcement and report

- A. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where 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; provided, this shall not apply to 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.
- B. Merger, demerger, acquisition, or transfer of shares.
- C. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- D. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.
- E. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
- F. Where an asset transaction other than any of those referred to in the preceding five Sub-paragraphs, a 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 foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
 - (2) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- G. The amount of transactions shall be calculated as follows:

- (1) The amount of any individual transaction.
- (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- (3) 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.
- (4) 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 these regulations need not be counted toward the transaction amount.

- H. 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 2 days counting inclusively from the date of knowing of such error or omission.
- I. 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, where they shall be retained for 5 years except where another act provides otherwise.
- J. 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 Financial Supervisory Commission within 2 days counting inclusively from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.

Article 14 Requirements for the acquisition and disposal of assets of subsidiaries

1. The Company shall urge its subsidiaries to define their Procedures for the Acquisition and Disposal of Assets according to applicable requirements in the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and follow the defined procedures.
2. When a subsidiary is not a public company within the country and conditions subject to public announcement and report as required by Article 13 herein apply to the Procedures for the Acquisition and Disposal of Assets, the Company shall complete the process on its behalf.
3. The criteria subject to public announcement and report in the preceding paragraph that are applicable to subsidiaries under Article 13 herein for paid-in capital or total assets are to be based on the paid-in capital or total assets of the Company.

Article 15 The calculation of 10 percent of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report shall be used.

The transaction amount set forth in Article 7, 8 and 9 herein shall be calculated and handled under Article 13 Paragraph 2 Sub-paragraph G herein. "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 16 Penalty

Any employee who undertakes responsibilities for acquisition or disposal of assets in violation of the Procedures will be reported for assessment according to the Company's personnel management and

employee handbook, and he/she will be subject to penalty accordingly.

Article 17 Implementation and Revision

The Procedures for the Acquisition and Disposal of Assets shall be approved by at least one-half or more of all members of the Audit Committee and to be approved by the Board of Directors, and then shall be submitted to a shareholders' meeting; for approval; the same applies upon revision.

If approval of one-half or more of all Audit Committee members as required in the Paragraph 1 herein is not obtained, the Procedures may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The terms "all Audit Committee members" in the Procedures and "all Directors" in the preceding Paragraph shall be counted as the actual number of persons currently holding those positions.

When a matter is submitted 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 minutes of the Board of Directors meeting.

Article 18 Supplementary Provisions

Any matters that are not contained in the Procedures shall be handled according to related regulations and laws, as well as regulations of the Company.