

Fubon Financial Holding Co., Ltd.

Procedures Governing the Acquisition or Disposal of Assets

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Chapter I General Principles

Article 1 Purpose

These Procedures are adopted to strengthen the internal control policy of Fubon Financial Holding Co., Ltd. (hereinafter referred to as the "Company"), and to protect the Company's assets and ensure public disclosure of information.

Article 2 Governing Law

These Procedures are established in accordance with Article 36-1 of the Securities and Exchange Act. (hereinafter referred to as the "SEA"), the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereinafter referred to as the "Regulations") and other relevant rules and regulations promulgated by the Financial Supervisory Commission.

Article 3 Assets

The term "assets" stated in these Procedures means the following:

- (i) Securities: including investments in stocks, governmental bonds, corporate bonds, financial debentures, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, asset-backed securities and securities defined by other laws and regulation.
- (ii) Real property (including lands, houses and buildings, investment property, rights to use land) and equipment.
- (iii) Memberships.
- (iv) Intangible assets: including patents, copyrights, trademarks and franchise rights.
- (v) Credit of financial institutions (including account receivables, bills purchase and discount, loans and overdue receivables).
- (vi) Derivative products.
- (vii) Assets acquired or disposed of in connection with merger, spin-off, acquisitions, or transfer of shares in accordance with the law.
- (viii) Other major assets.

Article 4 Appraisal Reports and Expert's Opinions

Professional appraisers and their officers, certified public accounts, attorneys, and

securities underwriters which provide the Company with appraisal reports, accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a connected party of any party to a transaction.

The Company may substitute proving documents issued by the court for appraisal reports or accountant's opinions for assets acquired or disposed through foreclosure process of the court.

Article 5 Resolution of Board of Directors

When the acquisition or disposal of assets of the Company shall be approved by the board of directors under these Procedures or other provisions of law, in the event any director dissents and such dissent is recorded in the minutes or expressed by a written statement, the Company shall submit the dissenting opinion of the director to the Audit Committee.

When the Company establishes independent directors in accordance with the SEA, and a transaction for the acquisition or disposal of assets is submitted to the board of the directors, in accordance with relevant rules, for discussion, the board of directors shall take full consideration of each independent director's opinion; in the event an independent director objects or expresses a qualified opinion, it shall be recorded in the minutes of the board of the directors' meeting.

When the Company establishes an audit committee in accordance with the SEA, the matter set forth in paragraph one shall be approved by the majority of all audit committee members and submit to the board of directors for a resolution.

In the event that the majority of all audit committee members does not approve the matters set forth in the preceding paragraph, the matters may be resolved by two-thirds or more of the directors. The minutes of the board of directors' meeting shall state the resolution made by the audit committee.

The terms "all audit committee members" in paragraph three and "all directors" in the preceding paragraph shall be calculated by the actual number of members currently holding the positions.

Chapter II Handling Procedures

Article 6 Procedure for Acquisition or Disposal of Real Property or Equipment

Procedures for Assessment and Operation:

- (i) The acquisition or disposal of real property or equipment of the Company shall be shall be executed in accordance with rules and regulations related to the Company's purchase and operation procedure.
- (ii) The investment of real property by the Company shall be approved in advance by relevant competent authority and be limited for private use only.

The Decision Making Process of Terms and Condition of Transaction and Authorized

Amount:

- (i) The acquisition or disposal of real property shall refer to the announced current value, appraised value and actual transaction price of the neighboring real property to decide on the terms for the transaction and transaction price and make these into an analysis report and report such to the chairman; the amount which is below NT\$300 million shall be submitted for the chairman's approval; however, for the amount which exceeds NT\$300 million is required to submit for the board of directors for a resolution.
- (ii) The acquisition or disposal of other equipment shall be proceeded by methods of price inquiry, price comparison or bid invitation; for the acquisition or disposal of which the amount is NT\$300 million or under, it shall be approved by the applicable levels in accordance with the rules of authorization; for the amount exceeding NT\$300 million, the acquisition or disposal shall be submitted for the chairman's approval and executed only after it is approved by the board of directors.

Execution Unit:

- (i) The execution unit shall execute the acquisition and disposal of real property or equipment of the Company in accordance with the preceding paragraphs.
- (ii) The acquisition and disposal of real property or equipment by the Company shall be approved in accordance with the preceding authorization of approval after submission and implemented by the authorized unit approved by the board of directors.

Appraisal Reports of Real Property or Equipment:

The acquisition or disposal of real property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, except for 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, the Company 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) Due to special circumstances that 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) For transaction amount of NT\$1 billion or more, the appraisals from two or more professional appraisers are required.
- (iii) In the event any of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, an accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation of the ROC (hereinafter referred to as the "Accounting Research and Development Foundation") and

render a concrete 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 % or more of the transaction amount.
- (b) the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (iv) the issuance date of the appraisal report issued by a professional appraiser and the execution date of the contract in between may not exceed more than three (3) months; provided that the announced current value for the same period is used and not more than six (6) months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 7 Procedure for Acquisition or Disposal of Securities

Regulation Restriction and Investment Amount:

The investment by the Company is regulated by Article 36 and Article 37 of the Financial Holding Company Act; where the utilization of short-term funds is regulated by Article 39 of the same Act.

The total investment amount of relevant securities and the limited amount of individual securities shall be entirely supervised by relevant laws and regulation.

Procedures of Assessment and Operation:

It is adopted in accordance with the Company's investment operation procedure.

The Decision Making Process of Terms and Conditions of Transaction and Authorized Amount:

- (i) In the event the Company proceeds with long-term investment in accordance with the Financial Holding Company Act and relevant laws and regulation, relevant appraisal process shall be conducted and report to the board of directors for approval; the same shall be submitted to the competent authority for examination and may execute only after the approval is obtain.
- (ii) The limitation on individual securities from the utilization of short-term funds by the Company shall be adopted in accordance with relevant laws and regulation.

Execution Unit:

The investment of securities or utilization of short-term funds by the Company shall be submitted for approval in accordance with the approval procedure provided in the preceding paragraph and execute by the authorized unit approved by the board of directors after it is approved.

Acquisition of expert's opinion

The acquisition or disposal of securities by the Company shall obtain the financial statements of the issuing company for the most recent period prior to the date of

occurrence of the event, certified or reviewed by an accountant as reference for the appraisal of transaction price; in the event the dollar amount of the transaction is 20% of the Company's paid-in capital or is NT\$300 million or more, the Company shall also engage an accountant to provide an opinion with respect to the reasonableness of the transaction price prior to the date of occurrence of the event. If the accountant needs to use the report of an expert as evidence, the accountant shall do so in accordance with the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation. This requirement shall not apply to publicly quoted prices of an active market or is otherwise regulated under the Financial Supervisory Commission.

Article 8 Procedures for Acquisition or Disposal of Membership or Intangible Assets

Procedure of Evaluation and Operation:

The acquisition or disposal of membership or intangible assets by the Company shall be executed in accordance with rules and regulations of the Company related to purchase and operation procedure.

The Decision Making Process of Terms and Conditions of Transaction and Authorized Amount:

- (i) The acquisition or disposal of membership shall refer to the fair market value in deciding the terms and conditions of the transaction and transaction price and make these into an analysis report and report such to the general manager; when the price is NT\$10 million or less, such acquisition or disposal shall be handled in accordance with each level's authorization; however, when the price is over NT\$10 million, the execution of such acquisition or disposal requires a separate approval of board of directors.
- (ii) The acquisition or disposal of intangible assets shall refer to professional appraisal report or fair market value in deciding the terms and conditions of the transaction and transaction price and make these into an analysis report and report such to the chairman; when the price is NT\$100 million or less, such acquisition or disposal shall be handled in accordance with each level's authorization; however, when the price is over NT\$100 million, the execution of such acquisition or disposal requires a separate approval of board of directors.

Execution Unit:

The acquisition or disposal of membership or intangible assets by the Company shall be approved by the authorization of approval provided in the preceding paragraph and execute by the authorized unit approved by the board of directors.

Professional Appraisal Opinion Report of Membership or Intangible Assets:

- (i) The Company's acquisition or disposal of membership which reaches NT\$30 million or more shall require an appraisal report from the professional.
- (ii) The Company's acquisition or disposal of intangible assets which reaches NT\$300 million or more shall require an appraisal report from the professional.

- (iii) Except for transactions with government agencies, the transaction amount of the Company's acquisition or disposal of membership or intangible assets which reaches 20% of the Company's actual paid-in capital or NT\$300 million shall require the accountant's opinion with regard to the reasonableness of the transaction price prior to the date of occurrence of the event. The accountant shall also handle in accordance with No. 20 of Statement on Auditing Standards under Accounting Research and Development Foundation in Taiwan

Article 9 Procedure for Connected Party Transactions

The Grounds:

The Company's acquisition or disposal of asset from or to a connected party should be executed in accordance with the relevant provisions of connected party transaction under Article 45 of the Financial Holding Company Act and the Regulations. If the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or obtain an accountant's opinion. When judging whether a trading counterparty is a connected party, in addition to legal formalities, the substance of the relationship shall also be considered.

Procedure of Appraisal and Operation:

In acquiring or disposing the real property from or to a connected party, or acquiring or disposing the assets other than real property from or to a connected party and the transaction amount reaches 20 percent or more of the company's 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 with call or put options, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed with execution of a transaction contract or making any payment until the following information has been submitted for the approval of board of directors and the recognition by the Audit Committee:

- (i) the purpose, necessity and anticipated benefit of the asset for acquisition or disposal;
- (ii) the reason for selecting the connected party as the trading counterparty;
- (iii) in acquiring the real property from a connected party, information regarding the appraisal of reasonableness of the preliminary transaction terms and conditions in accordance with Paragraph 3 of this Article;
- (iv) the date and price at which the connected party originally acquired the real property, the original trading counterparty, and the trading counterparty's relationship to the Company and the connected party;
- (v) monthly cash flow forecasts for the year commencing from the anticipated month of the executing of the contract, and evaluation of the necessity of the transaction and the reasonableness for the utilization of the funds;
- (vi) an appraisal report from a professional appraiser or an accountant's opinion;
- (vii) restriction and other important agreements associated with the transaction.

Assessment for the Reasonableness of Transaction Cost:

- (i) The acquisition of real property from a connected party by the Company shall

evaluate the reasonableness of the transaction costs by the following means:

- (a) based on the connected 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 real property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - (b) total loan value appraisal from a financial institution where the connected party has previously created a mortgage on the real 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 real 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 connected party of one of the trading counterparties.
- (i) 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 any means listed in the preceding paragraph.
 - (ii) The acquisition of real property from a connected party by the Company and appraises the cost of the real property in accordance with the provisions of subparagraph 1 and 2 of this paragraph shall also engage an accountant to check the appraisal and render a specific opinion.
 - (iii) In the event the result of the appraisal conducted in accordance with subparagraph 1 and 2 of this paragraph are uniformly lower than the transaction price in connection with the acquisition of real property by the Company, such matter shall be handled in compliance with subparagraph 5 of this paragraph; this provision shall not apply to the following circumstances exist, provided that the objective evidence has been submitted and concrete opinions on reasonableness have been obtained from a professional real property appraiser and an accountant.
- (a) Where the connected party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) where undeveloped land is appraised in accordance with the means provided in the preceding Article, and structures according to the connected 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 connected 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;
 - (2) completed transactions by unconnected 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 real property market practices.
 - (3) completed leasing transactions by unconnected 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 real property leasing market practices.

- (b) Where the Company acquiring real property from a connected party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unconnected parties within the preceding year. The completed transactions for 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; transaction for similarly sized parcels in principle refers to transactions completed by unconnected 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.
- (iv) The following shall be adopted in the event the acquisition of real property from a connected party by the Company and the results of appraisals conducted in accordance with the foregoing subparagraphs of this paragraph are uniformly lower than the transaction price. In addition, the Company and the public company which adopts the equity method to account for its investment in the Company that has set aside a special reserve under the following provision may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent authority has given its consent:
 - (a) a special reserve shall be set aside in accordance with the provision set forth in paragraph 1 of Article 41 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 a public 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 public company's equity stake in the other company.
 - (b) the Audit Committee shall comply with the provisions under Article 218 of the Company Act.
 - (c) actions taken pursuant to the previous two items shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (v) In the event any of the following exists when the Company acquires real property from a connected party, the acquisition shall be conducted in accordance with paragraph 1 and 2 of this Article, and the provisions regarding the evaluation of the reasonableness of the cost of transaction under subparagraphs 1, 2 and 3 of paragraph 3 of this Article do not apply:
 - (a) The connected party acquired the real property through inheritance or as a gift.
 - (b) More than five years have elapsed from the time the connected party signed the contract to obtain the real property to the signing date for the

- current transaction.
- (c) The real property is acquired through signing of a joint development contract with the connected party, or through engaging a connected party to build real property, either on the company's own land or on rented land.
 - (vi) When a public company acquires real property from a connected party, it shall also comply in accordance with subparagraph 5 of this paragraph in the event there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 9-1

The calculation of the transaction amount of proceeding four articles should be based on paragraph 2 of Article 13 and the reference to "within one year" is one year prior to the date of the occurrence of the instant transaction fact. Items for which a professional appraiser has issued the appraisal report or an accountant has issued an opinion in accordance with the Regulations need not be counted.

Article 10 Procedure for Acquisition or Disposal of Credit from Financial Institution

The Company in general does not engage in any transactions of acquisition or disposal of credit of financial institutions. In the event the Company intends to engage in such transactions, it is required to report to the board of directors for approval and establish its procedures for evaluation and operation.

Article 11 Procedure for Acquisition or Disposal of Derivative Products

Trading Principle and Guideline:

- (i) Types
The Company's engagement of derivative products trading shall be for the hedging purpose and be limited to trading products which competent authority has approved.
- (ii) Business (Hedge) Strategy
The Company's hedging strategy for engaging in derivative trading is as follows:
 - (a) to establish the total contract amount of trading;
 - (b) to periodically evaluate profit- loss and performance of derivatives products;
 - (c) to strictly evaluate and approval the credit and professional competence of counterparty to a dealing;
 - (d) each trading and relevant operation shall all be handled in accordance with Financial Holding Company Act and relevant laws and regulations.
- (iii) Dollar Amount Limit
The maximum total contract amount of derivative products is the dollar amount for accomplishing full hedge of the hedged object in connection with the Company's engagement of derivative products trading and the loss limit of the entire and individual contract should be stipulated and reported to the Board of Director's meeting for approval.

Operation Process:

- (i) The division of authority and responsibility of Company's engagement of derivative products as follows, provided that the operating personnel of each

unit may not serve concurrently in other operations:

Accounting Unit: matters involving handling, publication of accounts and filing.

Trading Unit: trading execution, trading control, evaluation of trading counterparty, set up of recordation file for status of each trading execution and addition of trading position to be reported regularly to the Board of Director's meeting.

Settlement Unit: trading confirmation, settlement.

Custody Unit: trading agreement, safekeeping of trading certificates.

Risk Management Unit: Management of each trading risk.

- (ii) The ISDA Agreement signed with trading counterparty in connection with the Company's engagement of derivative products trading shall only be implemented after the approval is obtained from the chairman or a senior management personnel designated by the chairman.
- (iii) The approval for each trading in connection with the Company's engagement of derivative products trading should be handled based on the schedule for division of authority and responsibility approved by the Board of Directors.

Procedure of Public Announcement and Filing:

Prior to the 10th of every month, the Company shall publicly announce and file the relevant contents in connection with the Company's engagement of derivative products of the preceding month, together with the operation status of the same month on the website designated by the competent authority.

Accounting Principles:

- (i) The main goal of the Company's accounting policy regarding derivative products is adopted according to the General Accepted Accounting Principles and relevant laws and regulation and property express the trading process and result by a complete certificate of book of accounts and accounting record.
- (ii) When compiling periodical financial report (including annual, semi-annual, quarterly financial report and consolidated financial report), the Company shall conduct according to the General Accepted Accounting Principles.

Risk Management System:

- (i) Essentials of Risk Evaluation:
 - (a) The risk management unit shall periodically measure the risk of Company's derivative products trading; supervise if its risk undertaken is within the Company's permitted scope of tolerance and report to senior management personnel not involving in the trading or decision making of positions designated by the board of directors.
 - (b) All positions held by trading unit shall be evaluated by risk management unit at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Risk evaluation reports shall be submitted to directors of the authorized unit for review.
- (ii) The Board of Directors shall faithfully supervise and manage the Company's trading of derivative products in accordance with the following principles:
 - (a) to authorize the general manager to designate senior management personnel who, shall at all times, pay attention to the supervision and

- controlling of derivatives trading risk in connection with the Company's engagement of derivative products trading;
- (b) relevant units shall periodically evaluate whether derivative products trading performance complies with the established operating strategy and whether the risks undertaken is within the tolerance scope of the Company.
 - (iii) The Company shall manage derivative products trading in accordance with the following principles when engaged in derivative products trading
 - (a) Designate senior management personnel shall periodically evaluate whether the current risk management measure employed is appropriate and has been faithfully conducted in accordance with these Procedures.
 - (b) Supervise on the trading and profit-loss situation. When irregular circumstance is discovered, appropriate measures shall be adopted and immediate report to the Board of Directors shall be made; such Board of Directors shall have an independent director present at the meeting and express his opinion.
 - (iv) If the Company has authorized relevant personnel to handle the Company's derivative products trading, it shall report such to the latest scheduled meeting of the Board of Directors.
 - (v) The internal auditing staff of the Company shall periodically find out the adequacy of its internal control of derivatives products trading, and conduct monthly auditing and make report on the compliance of the procedures for handling derivatives products trading by the trading department. If major violations are discovered, written notice shall be made to the audit committee.
 - (vi) In the event the Company's engagement in derivative products trading involves legal matters, the Company shall consult with legal personnel or external legal counsel.

Article 12 Procedure of Merger, Spin Off, Acquisitions, and Transfer of Shares

Procedure of Evaluation and Operation:

- (i) When the Company conducts a merger, spin off, acquisition or transfer of shares, the Company shall engage an attorney, accountant and underwriter to discuss together the estimated schedule for legal procedure and organize a project team to execute in accordance with legal procedure. Prior to convening the board of directors for resolution, the Company shall engage an account, attorney or securities underwriter to provide opinion on the reasonableness of the share swap ratio, acquisition price, or distribution of cash or other property to the shareholders, and submit such opinion to the board of directors for discussion and approval. However, when the Company merges a subsidiary which issued shares or total capital are directly or indirectly one hundred percent (100%) owned by the Company, or the subsidiaries which issued shares or total capital are directly or indirectly one hundred percent (100%) owned by the Company conduct a merger with each other, the Company could be exempted from obtaining the opinions on reasonableness issued by aforementioned experts.
- (ii) The Company shall prepare a public report to shareholders detailing the important content of the agreement for and matters relevant to the merger, spin off, or acquisition and then submit to the shareholders along with the opinion

provided by the professional referred to in the preceding subparagraph and notification of the shareholders meeting prior to the shareholders' meeting for reference in deciding whether to approve the merger, spin off, or acquisition; provided where a provision of another law exempts a company from convening a shareholders meeting to approve the merger, spin off, or acquisition, this restriction shall not apply.

- (iii) In the event the shareholders meeting of any one of the companies participating in a merger, spin off, 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, spin off or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Other Matters for Attention

- (i) Date of Board of Directors' Meeting: except as otherwise provided by other laws or the competent authority has been notified of extraordinary events in advance and consented, a company participating in a merger, spin off, 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, spin off, or acquisition.
- (ii) Prior Confidentiality Undertaking:
 - (a) Every person participating in or is knowledge of the plan for merger, spin off, 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 connected to the plan for merger, spin off, acquisition, or transfer of shares.
 - (b) When the Company participates in merger, spin off, acquisition or transfer of shares, the Company shall prepare a complete written record of the following information and retain it for five years for reference.
 1. Basic Identification Data of 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, spin off, 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 engagement 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, spin off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
 - (c) When the Company participates in a merger, spin off, acquisition, or transfer of another company's shares, the Company shall, within two days commencing immediately from the date of the approval by the board of directors' resolution, file (in the prescribed format and via the Internet-based information system) the information of the previous day

- with the competent authority for reference.
- (d) When the Company participates in a merger, spin off, 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 shall execute an agreement with such company and adopt in accordance with (b) and (d) of this paragraph.
- (iii) Principles for Establishment and Alternation of Share Swap Ratio or Acquisition Price: when participating in merger, spin off, acquisition or transfer of shares, a company shall, prior to the board of directors meeting, engage an accountant, attorney or securities underwriter to offer opinion with regard to the reasonableness of share swap ratio, acquisition price or distribution of cash or other property. The share swap ratio or acquisition price in principle may not be arbitrarily altered, except for terms and conditions provided in the contract which may be altered and has been disclosed publicly shall not be limited herein. The terms and conditions which share swap ratio or acquisition price may be altered is provided as follows
- (a) 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.
 - (b) An action, such as a disposal of major assets, which affects the company's financial operations.
 - (c) An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
 - (d) An adjustment where any of the companies participating in the merger, spin off, acquisition, or transfer of shares from another company to buy back treasury stock.
 - (e) An increase or decrease in the number of entities or companies participating in the merger, spin off, acquisition, or transfer of shares.
 - (f) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (iv) The contract shall specify contents of: except for provisions provided under Article 317.1 of the Company Act and Article 22 of Business Mergers and Acquisitions Law, the contracts a company participated in merger, spin off, acquisition or transfer of shares as well as the following:
- (a) Handling of breach of contract.
 - (b) 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 spin off.
 - (c) 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.
 - (d) The manner of handling changes in the number of participating entities or companies.
 - (e) Preliminary progress schedule for plan execution, and anticipated completion date.
 - (f) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (v) Treatment of changes in the number of companies participating in merger, spin

off, acquisition or transfer of shares: subsequent to the public disclosure of the information, if any company participating in the merger, spin off, acquisition, or share transfer intends for further merger, spin off, 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, spin off, 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.

- (vi) A company participating in merger, spin off, acquisition or transfer of shares is a non-public company, the Company shall execute an agreement with this company and adopt in accordance with (i), (ii) and (v) of "Other Matters for Attention".

Chapter III Miscellaneous

Article 13 Procedure for Public Disclosure of Information

Items Required for Public Announcement and Report and its Standards

- (i) In acquiring or disposing the real property from or to a connected party, or acquiring or disposing the assets other than real property from or to a connected party and the transaction amount reaches 20 percent or more of the company's paid-in capital, 10% or more of the company's total assets, or NT \$300 million or more, except for the trading of government bonds or bonds under repurchase and resale agreements, and subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (ii) Merger, spin off, acquisition, or transfer of shares
- (iii) Losses from derivative products trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures.
- (iv) The type of asset acquired or disposed is equipment for operational use, the trading counterparty is not a connected party, and the transaction amount reaches one billion or more.
- (v) The land is acquired under an arrangement for commissioned construction on self-owned land, commissioned construction 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.
- (vi) In the event an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of credit from a financial institution, or investment in the Mainland China reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - (a) Trading of government bonds.
 - (b) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of offered ordinary corporate bond and non-equity general bank debentures in the domestic primary market.
 - (c) Trading of bonds under repurchase/resale agreements or subscription or redemption of money market funds issued by domestic securities

investment trust enterprises.

Method for calculating the transaction amount

The transaction amount of the preceding paragraph shall be calculated as follows:

- (i) Every individual transaction amount.
- (ii) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
- (iii) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
- (iv) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

Deadlines for Public Announcement and Report

In the event the Company's acquisition or disposal assets complies with one of the items required for public announcement and report under paragraph 1 of this Article, the public announcement and report shall be processed within two days commencing immediately from the date of occurrence of the event. However, if the event meets the conditions of the TWSE Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities simultaneously, the public announcement and report shall be processed two (2) hours before the start of trading hours of the next business day following the occurrence of the event and the Company shall announce material information.

Procedure for Public Announcement and Filing

- (i) The Company shall publicly announce and file the relevant information at the website designated by the competent authority.
- (ii) The Company shall prepare the status on derivative products trading of the Company and its subsidiaries up to the end of last month in the prescribed formatted and input the same on the information filing website designated prior to the 10th of every month.
- (iii) In the event the items which are prescribed for public announcement contain error or omission at the public announcement which shall be rectified, the Company shall publicly re-announce and file all items within two (2) days from the time the Company becomes aware of the error or omission.
- (iv) Except as otherwise prescribed, relevant contracts, minutes, memorandum books, appraisal reports and the opinions provided by accountant, attorney or securities underwriter shall be retained for at least five years.
- (v) Subsequent to the Company publicly announced and filed the transaction in accordance with this Article, relevant information shall be publicly announced and filed at the website designed within two days from commencing immediately from the date of occurrence of the event upon the occurrence of any of the following:
 - (a) Relevant contract of original transaction executed is altered, suspend or

- terminated.
- (b) The merger, spin off, acquisition or transfer of shares failed to complete according to the scheduled date of the contract.
 - (c) The originally publicly announced and reported information is altered.

Article 14 Company's Supervision of Procedure for Subsidiary's Acquisition or Disposal of Assets

The subsidiary of the Company shall establish and execute a Procedures Governing the Acquisition or Disposal of Assets. In addition, each subsidiary shall establish a written internal control system (including detailed implementation rules for internal audit) and relevant supervision procedures in connection with loans to others and endorsement and guarantee in accordance with its nature and business requirement.

The subsidiary of the Company shall conduct self-examination if the procedures for acquisition or disposal of assets, loan to others and endorsement and guarantee are in compliance with relevant principles and if the transaction of acquisition or disposal of assets, loan to others and endorsement and guarantee is comply with relevant matters to the prescribed procedures.

In the event the acquisition or disposal of assets of the subsidiary of the Company complies with the standard of public announcement and filing prescribed under Article 30 of the Regulations or is otherwise instructed by the Company, such subsidiary shall submit and report relevant information to the authorized responsible unit of the Company within two days after the approval for the transaction by board of directors' resolution or relevant authorized responsible unit.

In the event the subsidiary of the Company is not domestic public company, the acquisition or disposal of assets which complies with the standard for public announcement and filing prescribed under Article 30 and Article 31 of the Regulations, the Company shall make public announcement and filing on behalf of such subsidiary.

The preceding requirement of 20% or more of the paid-in capital or 10% of the total assets for public announcement and report under paragraph 5, item 1, Article 13 of this Procedure, the paid-in capital shall refer to the paid-in capital or total assets of the Company.

Subsidiaries of the Company shall report any acquisition or disposal of assets to the board of directors of the Company pursuant to the "Standards Governing Report of Major Assets Transactions of the Subsidiaries to the Board of Directors of the Company" announced by the Company.

Article 15 Amendment to Law and Regulations

The amendment to relevant law and regulations shall govern the matters set forth in these Procedures

Article 16 Penalty

In the event the Company's employee who is in charge of acquisition or disposal of assets violates these Procedures, such violation shall be reported and reviewed periodically in accordance with the Company's human resources management measure and employees handbook and penalized with respect to the relative importance of circumstances accordingly.

Article 17 Other Matters

Any matters not provided for herein shall be handled pursuant to relevant rules and regulations promulgated by the competent authorities and internal rules of the Company.

Article 18 Implementation and Amendment

The procedure shall be approved by the Audit Committee, and submitted to the board of directors for resolution and reported to the shareholders' meeting for approval. The same shall apply for amendments.

In the event that the majority of all audit committee members does not approve the matters set forth in the preceding paragraph, the matters may be resolved by two-thirds or more of directors. The minutes of the board of directors' meeting shall state the resolution made by the audit commit.