

Topoint Technology Co., Ltd

Procedures Governing the Acquisition or Disposal of Assets

Article 1 Basis

These *Procedures* have been formulated in accordance with Article 36.1 of the *Securities and Exchange Act* (hereinafter called “the *Law*”) and the *Regulations Governing the Acquisition or Disposal of Assets by Public Companies* promulgated by the Securities and Futures Commission, Ministry of Finance under document (91) Tai Cai Zheng (I) No. 091000610 on 10th December 2002.

Article 2 Purpose

These *Procedures* are formulated to protect investments, ensure transparency of information, and to improve and strengthen the Company’s asset acquisition and disposal procedures.

Article 3 Scope

Except as herein otherwise provided, the Company’s acquisition and disposal of assets shall be governed by the provisions under its *Administration of Changes to Fixed Assets* and *Regulations on Payment Authorisation*.

Article 4 Definitions

(I) Assets:

1. Marketable Securities: Long and short-term investments including shares, government bonds, corporate bonds, financial bonds, local beneficiary certificates, foreign mutual funds, depository certificates, call (put) options, beneficiary securities and asset-backed securities.
2. Fixed Assets (including inventory for construction business) and

other fixed assets.

3. Membership Certificates.
4. Intangible Assets: Including patents, copyrights, trademarks, franchises etc.
5. Creditors' Rights of Financial Institutions (including accounts receivable, exchange bills negotiated, discounted & loans, overdue receivables.
6. Derivatives. Refer to the Company's *Procedures for Derivatives Trading*.
7. Assets acquired or disposed through mergers or consolidations, spin-offs, acquisitions, or assigned shares under the laws.
8. Other key assets.

(II) Acquisition: Refers to acts of obtaining assets set forth in the preceding paragraph from purchases, exchanges or other causes.

(III) Disposal: Refers to acts of sale of assets provided under Article 4 (I) herein.

(IV) Date of Occurrence: Refers to date of contract signing, date of payment, date of completion of trading, date of registration transfer, date of board of directors resolution, date of receipt of approval from the competent authorities (for foreign investors) or other dates confirming the trading counterpart and transaction amount, whichever date is earlier.

(V) Subsidiary: Refers to the Company's reinvested business having one of the following relationships with the Company:

1. A company which the Company holds shares with voting rights, or where the Company's amount of capital subscription is more than half of the said company's issued and outstanding shares with voting rights or equity

2. At least half of the said company's executive shareholders or directors are directors of the Company.

- (VI) Related Party: Per definition under the *Statement of Financial Accounting Standards No. 6* published by the Accounting Research and Development Foundation of the Republic of China (hereinafter called the "ARDF").
- (VII) Professional Appraiser: Refers to a real estate appraiser or other persons authorised under the laws to appraise real estate or other fixed assets.
- (VIII) "Within one year" refers to the year preceding the date of occurrence of the acquisition or disposal of assets; however, whatever has been announced shall not be considered.
- (IX) "Latest financial statement" refers to published financial statements audited or reviewed in accordance with the laws by the Company's accountant prior to the acquisition or disposal of assets.
- (X) Derivatives: Refer to forward contracts, options contracts, futures contracts, leveraged contracts, swap contracts, and compound contracts comprising combinations of the foregoing products, whose values are derived from assets, interest rates, foreign exchange rates, indexes or other benefits. The term "forward contract" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- (XI) Assets lawfully acquired or disposed through mergers or consolidations, spin-offs, acquisitions, or assignment of shares: Refer to assets acquired or disposed through mergers, spin-offs or acquisitions carried out in accordance with the *Business Mergers and Acquisitions Act, Financial*

Holding Company Act, Financial Institutions Merger Act or other applicable laws, or the acquisition of another company's shares by issuing new shares as consideration (hereinafter called "share assignment") in accordance with paragraph 6 under Article 156 of the *Company Law*.

- (XII) Mainland China Investments: Refer to investments in Mainland China area approved by the Investment Commission, Ministry of Economic Affairs, or conducted in accordance with the provisions under the *Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China*.

Article 5 Operating Guidelines for the Assessment and Decision on the Acquisition or Disposal of Real Estate Property and Other Fixed Assets:

- (I) Acquisition or disposal of real estate property or other fixed assets shall first be subject to prior evaluation by the executing department on the various transaction terms and condition according to the Company's internal operating procedures, thereafter submitted for approval by the person with approval authority who is approved by the board of directors.
- (II) Except for transaction with a government agency or commissioned construction carried out on own or leased land, or acquisition of machinery and equipment for business operations, where acquisition or disposal of real estate property or other fixed assets amounts to 20% of the company's paid-up capital or NT\$300 million or more, the Company shall obtain an appraisal report (refer to Annex 1 for details to be included on the appraisal report) in advance from a professional appraiser, as well as comply with the following provisions:
1. The basis for appraisal shall be normal price. Where it is restricted or specified prices, qualification on compliance with Articles 10 and

11 under *the Technical Standards for Land Appraisal* shall be made. When a restricted price or specified price must be used as a reference for the transaction price due to special circumstances, the transaction shall be submitted in advance to the board of directors for approval, notification given to the Company's supervisors, and reported at the next shareholders' meeting. The same procedures apply to future changes of terms of transaction. The appraisal report must render separate evaluations on the results of normal price and restricted or specified prices, itemise the restricted or specified terms and stating if the said terms are currently satisfied, the reasons and legitimacy for the disparity with normal price, and clearly specify if the said restricted or specified price is adequate for use as reference for transaction price.

2. Where the difference between the appraisal result and the transaction amount is 20% of the transaction amount or more, the Company shall appoint a certified public accountant to conduct the appraisal in accordance with the provisions of *Statement of General Auditing Procedures* No. 20 published by the ARDF and render a specific opinion regarding the cause of the differences and the reasonableness of the transaction price. The aforesaid difference between the appraisal result and the transaction amount is based on the transaction amount.
3. If the transaction amount is NT\$1 billion or more, the Company shall request appraisal by at least two professional appraisers; where the difference between the appraisal results of two or more professional appraisers is 10% of the transaction amount or more, the Company shall appoint a certified public accountant to conduct the appraisal in accordance with the provisions of *Statement of General Auditing Procedures* No. 20 published by the ARDF and render a specific opinion regarding the cause of the differences and the reasonableness of the transaction price.

4. Where an appraisal is conducted prior to the execution date of the relevant sale and purchase agreement, the period from the date of the appraisal report to the date of execution of the relevant sale and purchase agreement shall be no more than three months. However, where the published prevailing land value for the same period is applied and less than six months have elapsed since the date of the original appraisal report, the same professional appraiser may still issue a revised opinion.
5. Aside from using the restricted price or specified price as the reference for the transaction price, where, for reasonable causes, the appraisal report or the foregoing items 2 and 3 concerning opinions of certified public accountants cannot be promptly received, the published original transaction amount and appraisal results should be obtained and revised within two weeks after the date of occurrence; where the circumstances set forth under items 2 and 3 occur, reporting shall be made based on the published reasons for disparity and the accountant's opinion.
6. Where the appraisal company provides a Market Value Estimation Report and Valuation Report in place of the appraisal report, the details included in such reports shall meet the requirements as set forth for matters to be included in the aforesaid appraisal report.

(III) Appraisal

Except for transactions carried out through TSE or OTC, or domestic open-end beneficiary certificates or foreign mutual funds or through original subscription (including subscription at incorporation and capital increase by cash), the target company's latest financial statements audited and verified or reviewed an accountant should be obtained before acquisition or disposal of marketable securities. In the event that the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company shall appoint an accountant to render an opinion on the reasonableness of the

transaction price:

1. Acquisition or disposal of TSE or OTC traded marketable securities.
2. Acquisition or disposal of privately placed marketable securities.

(IV) Executive Entity

When acquiring or disposing real estate property or other fixed assets, the Company shall submit for approval in accordance with the foregoing approval limit, and the user department and administrative department shall be responsible for execution.

- (V) In accordance with the relevant stipulated procedures and other provisions of the law, acquisition or disposal of assets by the Company is subject to approval by the board of directors. Where there is opposition by the directors and such opposition is documented or if a written statement is available, the Company shall forward details of such opposition to the various supervisors. Where the Company has appointed independent directors, and where, according to regulations, acquisition or disposal of assets is proposed to the board of directors for deliberation, the opinions of the independent directors should be given full consideration, and their agreement or opposition as well as the relevant reasons be recorded in the minutes of meeting.

Article 6 Assessment and Decision on the Transaction Terms of the Acquisition and Disposal of Long-Term and Short-Term Marketable Securities

(I) Acquisition Procedures

1. Investment in short-term marketable securities (beneficiary bond funds) shall be carried out after the finance department has obtained approval from the Chairman of the board of directors. For investment in other short-term marketable securities, advanced approval from the Board of Directors shall be obtained

for a single transaction amounting to NT\$30 million and above; ex-post facto approval from the board of directors may be obtained where the cumulative transaction amount is NT\$30 million and above.

2. For capital increase in cash for existing reinvested businesses or reinvestments in new businesses, besides complying with the *Company Law*, no investment shall be carried out until the general manager's office has evaluated the investment benefits, and thereafter, submit to the board of directors for approval.

(II) Disposal Procedures

1. Disposal of marketable securities purchased under the provisions of Article 6 (I) by the department in-charge shall first be approved by the general manager, and a report to be submitted to the chairman of the board of directors at every month-end.
2. Disposal of long-term equity investments with a cumulative value of NT30 million per year for per business unit must be first submitted to the board of directors for resolution and adoption or for ex-post approval.

(III) Appraisal

Except for transactions carried out through TSE or OTC, or domestic open-end beneficiary certificates or foreign mutual funds or through original subscription (including subscription at incorporation and capital increase by cash), the target company's latest financial statements audited and verified or reviewed an accountant should be obtained before acquisition or disposal of marketable securities, and a certified public accountant shall render his opinion on the difference between the net book value per share and the transaction price as indicated in the aforesaid financial statements. Where the difference between

the net book value per share exceeds the transaction price by 20% or more, the certified public accountant shall operate in accordance with the provisions under Article 13 of the *Statement of General Auditing Procedures No. 20* and render a specific opinion regarding the cause of the differences and the reasonableness of the transaction price.

(IV) Executive Entity

When investing in long-term or short-term marketable securities, the Company shall submit for approval in accordance with the foregoing approval limit, and the finance and accounting departments shall be responsible for execution.

(V) In accordance with the relevant stipulated procedures and other provisions of the law, acquisition or disposal of assets by the Company is subject to approval by the board of directors. Where there is opposition by the directors and such opposition is documented or if a written statement is available, the Company shall forward details of such opposition to the various supervisors. Where the Company has appointed independent directors, and where, according to regulations, acquisition or disposal of assets is proposed to the board of directors for deliberation, the opinions of the independent directors should be given full consideration, and their agreement or opposition as well as the relevant reasons be recorded in the minutes of meeting.

Article 7 Procedures Governing Acquisition of Real Estate Property from a Related Party

(I) When the Company acquires real estate property from a related party through purchase or swap, in addition to compliance with the requirements set forth in Article 5, the Company shall follow the required procedures and obtain the required approvals, as well as assess the reasonableness of the transaction terms and other relevant matters in accordance with the following provisions. In addition, when determining whether the transaction counterparty is a related party, apart from legal formalities, the Company shall consider the actual

relationship between the transacting parties.

(II) Appraisal and Operating Procedures

The Company may acquire real estate property from a related party only after submitting the following information to the Board of Directors for approval and to the Supervisors for acceptance:

1. The purpose, necessity and estimated benefits of the real estate property acquisition.
2. The reason for choosing the related party as the transaction counterparty.
3. Information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with the provisions of items (1) and (4) under paragraph III of this Article.
4. The date and price at which the related party originally acquired the real estate property, the original transaction counterparty, and the relationship between such transaction counterparty and the Company as well as the related party.
5. Forecasted monthly cash flow for the year beginning from the expected month of execution of contract, and evaluation of the transaction's necessity, and legitimacy of the use of funds.
6. Restrictive covenants and other important contractual obligations related to the current transaction.

(III) Assessment of Reasonableness of Cost of Transaction:

1. When the Company acquires real estate property from a related party, the following methods shall be used to assess the reasonableness of the transaction cost:
 - (1) Based on the related party's transaction price plus interest on funds required and the costs payable by the buyer under the law. "Interest cost on funds required" refers to and is calculated using weighted average interest rate on funds

borrowed by the Company for the year of asset purchase. However, such interest cost on funds required may not be higher than the maximum lending rate for non-financial institutions published by the Ministry of Finance.

(2) Based on the total value appraised by a financial institution if the related party has previously taken a secured mortgage loan with the property, provided that the actual cumulative amount lent by the financial institution is 70% of the financial institution's appraisal value for the property or more, and the loan has been disbursed for one year or longer. However, this is not applicable if the financial institution is a related party to one of the transaction counterparties.

2. Where the buildings and the land on which they stand are combined as a single purchase transaction, the transaction costs for the land and the building may be separately appraised in accordance with either of the methods set forth in the preceding paragraph.
3. When the Company acquires real estate property from a related party, appraisal of the cost of such property shall be in accordance with the provisions under items (1) and (2), paragraph III of this Article, and an accountant engaged to review the appraisal results and provide specific opinion on such results.
4. Where the Company acquires real estate property from a related party and the results of the appraisal carried out in accordance with the provisions under both items (1) and (2) in paragraph III of this Article are lower than the transaction price, the provisions under Item (5), paragraph III of this Article shall govern, save for the occurrence of any of the following circumstances and where any objective evidence is provided and professional appraisal on such real estate property as well as specific opinions on the reasonableness of the transaction price from an accountant

obtained:

- (1) When the related party has acquired raw land or leased land for development, proof of compliance with one of the following conditions may be submitted:
 - (A) Where the raw land is appraised in accordance with the foregoing methods and the building according to the related party's cost of construction plus reasonable construction profit, and where the total appraised value of the land and the building is greater than the actual transaction price. "Reasonable construction profit" refers to the related party's construction division's average gross operating profit over the past three years or the construction industry's gross profit margin for the most recently announced by the Ministry of Finance, whichever is lower.
 - (B) Where the property size and terms of concluded transactions of unrelated parties within the preceding year involving other floors of the same target property or properties located in the neighbouring area are comparable to the proposed transaction, after considering the reasonable price differentials due to floor level or location differences based on standard market practice for transacting real estate property.
 - (C) Where the transaction terms of concluded leases by unrelated parties within the preceding year for other floors of the same target property are similar to the proposed transaction, after considering the reasonable price differentials due to floor level differences based on standard market practice for leasing real property.
- (2) Where the Company provides evidences that the terms of

the proposed acquisition of real estate property from the related party are similar to the terms of transactions for concluded transactions of property in a neighbouring area of a similar size by unrelated parties within the preceding year. In principle, the aforesaid “concluded transactions of property in a neighbouring area” refers to property located within the same or in an adjacent block located within 500 metres of the target property, or a property whose published current value is close to that of the target property; “similar size” generally refers to transactions concluded by unrelated parties with a land area of no less than 50% of the target property; “within one year” refers to the one year preceding the date of occurrence of the proposed acquisition of the target property.

5. Where the Company acquires real estate property from a related party and the results of appraisal carried out in accordance with the provisions of both items (1) and (2), paragraph III of this Article are lower than the transaction price, the following provisions shall govern. In addition, where the Company and any public-listed company using the equity method for valuation when investing in the Company have allocated a special reserve in accordance with the aforesaid provisions, such special reserve may not be utilised until any loss of value for such real estate property has been recognised, or upon the disposal of such property, or adequate compensation made, or the original condition restored, or where there is other evidence confirming the absence of any unreasonableness, and the relevant approval from the Securities and Futures Commission, Ministry of Finance, obtained.

- (1) The Company shall allocate the difference between the real property transaction price and the estimated cost as a special reserve in accordance with paragraph 1 Article 41 of the *Securities and Exchange Act*. Such special reserve

shall not be distributed or capitalised through new share issues. Where a company using the equity method for valuation when investing in the Company is a public company, a special reserve in the same percentage as such company's shareholding in the Company shall be allocated in accordance with the provisions under paragraph 1 of Article 41 under the *Securities and Exchange Act*.

- (2) The Company's Supervisors shall comply with Article 218 of *the Company Law*.
- (3) The Company shall submit a progress report on matters concerning items (1) and (2) under this Article to the shareholders' meeting, and shall disclose details of the transaction in its annual report and prospectus.

6. The Company shall, where it acquires real estate property from a related party and where any of the following circumstances occur, implement the transaction in accordance with the Appraisal and Operating Procedures under paragraphs 1 and 2 of this Article, and items 1, 2, and 3 under paragraph III of this Article concerning the assessment of reasonableness of cost of transaction shall not be applicable:

- (1) The related party has acquired the real estate property through inheritance or as a gift.
- (2) More than five years have elapsed from the date of signing of contract of real estate property acquisition by the related party to the date of execution of contract for this transaction.
- (3) The real property is to be acquired through the signing of a joint-development contract with the related party.

7. When acquiring real property from a related party and where there is evidence indicating the non-conformity of such acquisition with normal business practice, the Company shall, act in accordance with item 5 under paragraph III of this Article.

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

(I) Appraisal and Operating Procedures

Acquisition or disposal of membership certificates by the Company shall be in accordance with the Company's internal control system on *Recycling Procedures for Fixed Assets*.

(II) Procedures for Deciding Transaction Terms and Authorised Limit

1. When the Company acquires or disposes of membership certificates and the transaction amounts to 1% of the Company's paid-up capital or NT\$3 million or more, fair market value shall be considered to determine the terms and price of transaction, and an analysis report be submitted to the general manager. Where such amount is less than 1% of the Company's paid-up capital or NT\$3 million, the general manager's approval shall be sought and a report be submitted ex-post facto at the next board of directors' meeting. Board of directors' approval is required for transactions amounting to more than NT\$3 million.
2. When the Company acquires or disposes of intangible assets, reference to professional appraisal report or fair market value shall be made to determine the terms and price of transaction, and an analysis report be submitted to the general manager. Where the transaction amounts to less than 10% of the Company's paid-up capital or NT\$20 million, the general manager's approval shall be sought and a report submitted ex-post facto at the next board of directors' meeting. Where such amount is more than 10% of the Company's paid-up capital or NT\$20 million, advance approval by the board of directors' is required.
3. In accordance with the relevant stipulated procedures and other provisions of the law, acquisition or disposal of assets by the Company is subject to approval by the board of directors. Where

there is opposition by the directors and such opposition is documented or if a written statement is available, the Company shall forward details of such opposition to the various supervisors. Where the Company has appointed independent directors, and where, according to regulations, acquisition or disposal of assets is proposed to the board of directors for deliberation, the opinions of the independent directors should be given full consideration, and their agreement or opposition as well as the relevant reasons be recorded in the minutes of meeting.

(III) Executive Entity

When acquiring or disposing of membership certificates or intangible assets, the Company shall submit for approval in accordance with the foregoing approval limit, and the user department and finance department shall be responsible for execution.

(IV) Professional Appraisal Report for Membership Certificates or Intangible Assets

1. The Company shall appoint a professional to provide an appraisal report where its acquisition or disposal of membership certificates amounts to 1% of the Company's paid-up capital or NT\$3 million.
2. The Company shall appoint a professional to provide an appraisal report where its acquisition or disposal of intangible assets amounts to 10% of the Company's paid-up capital or NT\$20 million.
3. The Company shall appoint an accountant to render an opinion on the reasonableness of the transaction price where its acquisition or disposal of membership certificates or intangible assets amount to 20% of the Company's paid-up capital or NT\$300 million or more. Such accountant shall act in accordance with the *Statement of General Auditing Procedures* No. 20 published by the ARDF.

Article 9 Acquisition or Disposal of Creditors' Rights of Financial Institutions

As a general rule, the Company does not engage in the acquisition or disposal of financial institutions' creditors' rights. Where the Company wishes to acquire or dispose of financial institutions' creditors' rights in future, Assessment and Operating Procedures shall be formulated upon approval by the Board of Directors.

Article 10 Procedures Governing Mergers or consolidations, Spin-offs, Acquisitions, or Share Assignments are as follows:

(I) Assessment and Operating Procedures

1. The Company shall, when carrying out a merger, spin-off, acquisition, or share assignment, engage a lawyer, accountant, and underwriter to jointly review the statutory procedures and proposed timetable; at the same time, form a project execution team to carry out the transaction in accordance with the statutory procedures. The Company shall, prior to convening a board of directors' meeting to deliberate the matter, engage an accountant, lawyer, or underwriter to render opinions regarding the reasonableness of the share swap ratio, acquisition price, or distribution of cash or other property to shareholders, and shall submit the same to the board of directors for deliberation and approval.
2. The Company shall, when carrying out a merger, spin-off or acquisition, prepare a public report for its shareholders, specifying important contractual details and relevant matters prior to the shareholders' meeting. Such report and the expert opinions referred to under item (1) of paragraph 1 of this Article shall be attached with the Notice of Shareholders' Meeting as reference for deciding if approval shall be given for such merger, spin-off or

acquisition, save if such convening of shareholders' meeting for such approval is exempted under the law. In addition, where the shareholders' meeting of a company participating in a merger, spin-off or acquisition fails to be convened or the resolution of which fails to be adopted or the proposal due insufficient quorum or votes, or is restricted by law, or the proposal was vetoed by the shareholders' meeting, such company shall immediately publish an announcement explaining the reasons for such occurrence, the follow-up actions, and the expected date of the next shareholders' meeting.

(II) Other Matters to be Noted

1. Date of board of Directors' Meeting: Save as otherwise provided by the law or where there are extraordinary conditions requiring prior approval by the Securities and Futures Commission, companies participating in a merger, spin-off or acquisition shall convene their board meetings and shareholders' meetings on the same day to resolve matters concerning the said merger, spin-off or acquisition. Companies participating in share assignment shall convene their board of directors' meetings on the same day, except as otherwise provided by the law or where there are extraordinary conditions requiring prior approval by the Securities and Futures Commission.
2. Pre-disclosure confidentiality: Every Company personnel who is a party to or privy to a plan for merger, spin-off, acquisition, or share assignment shall sign a confidentiality agreement, committing to non-disclosure of details of such plan prior to its public announcement, and shall not trade, whether under their own name or another person's name, in any shares or other equity-linked securities of any company in connection with such merger, spin-off, acquisition or share assignment plan.
3. Principles for formulating and amending share swap ratio or acquisition price: Companies which parties to a merger, spin-off,

or acquisition, or which are share assignees shall appoint an accountant, lawyer or securities underwriter to provide opinions concerning reasonableness of the share swap ratio, acquisition price or the distribution of cash or other assets to shareholders, and such opinions to be reported at the shareholders' meeting. Except for published information and where the terms and conditions that may be altered are stipulated in the contract, share swap ratio or acquisition price may not be arbitrarily altered. Alterable terms and conditions are set forth as follows:

- (1) Capital increase by cash, issuance of convertible bonds, distribution of bonus shares, issuance of warrant-attached corporate bonds, warrant-attached preferred shares, stock warrants and other equity-linked marketable securities.
 - (2) Disposal of the Company's material assets or other action which may affect the Company's financial condition or business.
 - (3) Events such as serious calamity or major technological shift which may affect shareholder's equity or securities prices.
 - (4) Adjustment resulting from buy-back of treasury stock by any of the companies which is a party to the merger, spin-off, acquisition or share assignment.
 - (5) An increase or decrease in the number of entities or companies which are parties to the merger, spin-off, acquisition or share assignment.
 - (6) Other terms and conditions permitted for amendments as provided in the contract and disclosed to the public.
4. Details to be provided in the contract: In addition to items as provided under Article 317.1 of the *Company Law* and Article 22 of the *Business Mergers and Acquisitions Act*, a merger, spin-off, acquisition or share assignment contract shall include the following provisions:

- (1) Action taken for breach of contract.
 - (2) Principles for administering equity-linked securities previously issued or treasury stock previously bought back by a company to be dissolved in a merger or to be spun off.
 - (3) The amount of treasury stock that may be lawfully bought back by participating companies after the record date for computation of the share swap ratio, and the administration principles thereof.
 - (4) Methods for administering changes in the number of participating entities or companies.
 - (5) Estimated schedule for plan execution of the, and expected date of completion.
 - (6) Scheduled date for convening of shareholders' meeting in accordance with the law in the event that the plan execution is behind schedule and the relevant administration procedures.
5. Changes in the number of companies participating in a merger, spin-off, acquisition or share assignment: In the event that any company participating in the merger, spin-off, acquisition or share assignment intends to carry out a merger, spin-off, acquisition, or share assignment with another company after the relevant information has been made public, all participating companies shall repeat the procedures or legal processes earlier completed for the merger, spin-off, acquisition or share assignment. Unless the number of participating companies has decreased and the participating companies' shareholders' meeting has resolved and authorised the Board of Directors to alter limits of authority where necessary, such participating companies may be exempted from convening another shareholders' meeting to resolve the matter.
6. The Company shall enter into an agreement with a company which is a party to a merger, spin-off, acquisition or share assignment but which is not a public company, and shall carry

out the merger, spin-off, acquisition or share assignment in accordance with the provisions set forth under the date of board of directors' meeting under item 1, pre-disclosure confidentiality under item 2, and Changes in the number of companies participating in a merger, spin-off, acquisition or share assignment under item 5, paragraph II of this Article.

Article 11 Public Announcement and Reporting Criteria

- (I) Except for the following circumstances, where the amount of every transaction or transaction is carried out with the same counterparty within the same year during acquisition or disposal of assets, or the same marketable securities is purchases or sold at different times, such that the aggregate transaction amounts to 20% of the company's paid-in capital or NT\$300 million or more, public announcement and reporting to the Securities and Futures Commission shall be made.
1. Where the type of asset acquired or disposed of is and machinery equipment for business operations, the transaction counterparty is not a significant related party, and the transaction amount is less than NT\$500 million.
 2. Where the company is an investment company, the trading of securities in the securities exchange or over-the-counter market.
 3. Trading of bonds under repurchase/resale agreements.
 4. Where public announcement and reporting is made after the purchase or sale of marketable securities in the securities exchange or over-the-counter market in accordance with the criteria under Article 11 (I), further public announcement and reporting has to be made for every NT\$50 million in transaction value accumulated for the same marketable securities purchased or sold.

- (II) Where the counterparty to an acquisition of real estate property is a significant related party, a report has to be made to the Securities and Futures Commission in accordance with the *Regulations Governing Acquisition or Disposal of Assets by Public Companies* promulgated by the Securities and Futures Commission, together with the cost calculation of the real estate property concerned and review by a certified public accountant. Where such transaction fits the criteria as set forth under Article 11 (I), a public announcement shall be made.
- (III) Public Announcement and reporting of information on the daily balances for the month for trading of bonds under repurchase/resale agreements, their month-end balances and profit or loss from disposal, as well as their monthly operational information.
- (IV) Investments in the Mainland China region.
- (V) Merger, spin-off acquisition or share assignment.
- (VI) Any loss from derivatives trading reaching the limits for aggregate loss or individual contract as set forth under the Company's operating procedures.

Article 12 Public Announcement Format and Details

- (I) Marketable securities traded in the securities exchange or over-the-counter market meeting the criteria under Article 11 (I) or (II) shall disclose the following items (refer to Annex 2 for details):
 1. Name of securities
 2. Transaction date
 3. Transaction volume, unit price and aggregate value
 4. Profit or loss on disposal (no need to include for acquisitions)
 5. Relationship with the transacting counterparty
 6. As of today, balance on hand for the said securities transacted and percentage of shareholding

7. As of today, percentage of marketable securities to the Company's total assets and shareholders' equity under the Company's latest financial statements, limitations on interests and amount of working capital as stated in the latest financial statements
8. Specific purpose of acquisition or disposal.

(II) Apart from the purchase and sale of assets as set forth in the preceding paragraph, public announcement shall be made where the criteria under Article 11 (I) is met: (Refer to Annex 3 for details)

1. Name and nature of target asset (where it is real estate property, its location and area)
2. Date of occurrence
3. Transaction units, unit price and aggregate transaction amount
4. Specially agreed terms of issue of securities: e.g. interest rate, dividends, with or without guarantee etc. (excludes non-securities or preferred shares)
5. Relationship of transaction counterparty with the Company (where the counterparty is a natural person instead of a company, disclosure of name is not required)
6. Reasons for choice of significant related party and owner (includes relationship between the Company and the counterparty) of asset, transfer price and date acquired (no need to include for non-significant related-party) for previous assignment
7. Estimated loss or profit from disposal (no need to include for acquisition)
8. Delivery or payment terms
9. Decision method (e.g. tender, price comparison, price negotiation) for current transaction, basis of reference for price decision and department with decision authority.
10. Name of professional appraising organisation and its appraisal results, or the net value per share of the target company based on its latest financial statements prepared according to

regulations and audited or reviewed by an accountant. Where an appraisal report cannot be obtained in time, the relevant reasons shall be stated. Where circumstances set forth under Article 5 (III) 3 occur, the public announcement on the reasons for such difference and opinion of a certified public account shall be made.

11. The percentage of long-term and short-term marketable securities to the Company's total assets and owners' equity based on the Company's latest financial statements, , limitations on interests and amount of working capital as stated in the latest financial statements (no need to include for non-marketable securities)
12. As of today, balance on hand for the said securities transacted and percentage of shareholding (no need to include for non-marketable securities)
13. Broker and broking fees payable (no need to include where broker is not a significant related party)
14. Specific purpose of acquisition or disposal.

(III) Where the acquisition of real-estate property is through commissioned construction carried out on own land, joint-development & division by units, joint-development & division by floors, and joint-development and independent sale, and where such transaction amounts to 20% of the company's paid-up capital or NT\$300 million or more, the Company shall publish the following important contractual information, and shall act in accordance with the provisions under Articles 13 (I) and (II) (refer to Annex 4 for details):

1. Type of contract
2. Date of occurrence
3. Contract counterparty and its relationship with the Company
4. Main contractual details (including contract value and date of commencement of contract), restrictive clauses and other

important agreed items)

5. Name of professional appraisal and appraisal results
 6. Specific reasons for acquisition
- (IV) Public announcement for marketable securities, membership certificates, intangible assets and creditors' rights of financial institutions not traded in securities exchange or over-the-counter markets shall be made in accordance with the format set forth under Annex 5.
- (V) Public announcement format for investments in China Mainland, refer to Annex 6
- (VI) Trading in financial derivatives, refer to the Company's *Procedures for Trading in Derivatives* for details
- (VII) Public announcement format for merger, spin-off, acquisition and share assignment, refer to Annex 7.
- (VIII) For items which public announcement has to be made under the regulations, and where there are inadequacies after such public announcement, revisions shall be made, and public announcement and reporting shall be made again for information on the entire project.

Article 13 Limitation Period for Public Announcement and reporting

- (I) Where acquisition or disposal of assets fall under the items necessary for public announcement as set forth under Article 11 (I) or Article 11 (II), and the transaction amount reaches the criteria as provided under Article 11, public announcement and reporting shall be made within two days after the occurrence thereof.
- (II) Where public announcement and reporting is made after the transaction and where one of the following events occur, public announcement and reporting of the relevant information shall be

made at the website as stipulated by the Securities and Futures Commission within two days after the occurrence thereof:

1. Alteration, termination or cancellation of the relevant contract entered into for the original transaction
 2. Merger, spin-off, acquisition or share assignment fail to complete within the time period stipulated under the contract
- (III) Where a subsidiary of the Company is not a domestic public-listed company and public announcements has to be made for acquisition or disposal of assets by the said subsidiary, such public announcements, such announcement shall be made by the Company. Regulation on the twenty percent of paid-up capital being criteria for public announcement for the subsidiary shall be based the Company's paid-up capital.

Article 14 Disclosure of Transaction with Significant Related Parties

Where acquisition or disposal of assets meets the criteria as set forth under Article 11 (I) and where the transaction counterparty is a significant related party, details in the public announcement shall be disclosed in the appendices of the financial statements and presented at the shareholders' meeting.

Article 15 Public Announcement and Reporting

- (I) Where the transaction amount for acquisition or disposal of assets meets the criteria for public announcement as set forth under Article 11, the department responsible shall submit the information for public announcement and reporting in accordance with the procedures provided herein for approval based on the limit of authority for approval, thereafter, submit to the administrative department prior to the date of

occurrence.

- (II) The administrative departments shall proceed with public announcement and reporting in accordance with the provisions of these Procedures.

Article 16 Investment Scope and Limit of the Company and Subsidiaries

- (I) Aggregate investment in marketable securities by the Company and its subsidiaries shall not exceed the Company's paid-up capital. Investment in individual marketable securities shall not exceed 50% of the Company's paid-up capital.
- (II) The aggregate amount of purchase real estate property for non-operating purposes by the Company and its subsidiaries shall not exceed 50% of the Company's paid-up capital .

Article 17 Applicability to Subsidiaries

The Company's subsidiaries shall formulate *Procedures Governing the Acquisition or Disposal of Assets* in accordance with the aforesaid provisions, to be submitted at the shareholders' meetings of both parties. The same shall apply to amendments.

Article 18 Penalty

Company managers and key personnel who violate these *Procedures* shall be reported and reviewed in accordance with the *Personnel Management Regulations* and *Staff Manual*, and a penalty imposed based on the severity of violation.

Article 19 Implementation and Amendment

Upon approval of this *Procedures Governing the Acquisition or Disposal of Assets* by the board of directors, and after submitting to the various supervisors and the shareholders' meeting for approval; the same shall apply for amendments. Where the directors oppose and where records or written statements of such opposition are available, the Company shall forward such opposition to the various supervisors and propose for deliberation at the board of directors' meeting. Where the Company has appointed independent directors and when submitting such *Procedures Governing the Acquisition or Disposal of Assets* by the board of directors, full consideration must be given to the opinions of the independent directors, and the opinions and reasons for their agreement or opposition included in the minutes of meeting.

Article 20 Supplementary Provisions

Any matter not provided herein shall be governed by the relevant laws.