

GRAND OCEAN RETAIL GROUP LIMITED

Procedures of Acquisition and/or Disposal of Assets

Article 1 Purpose

To protect investment and ensure public disclosure of information, the Company's acquisition or disposal of assets shall be made in accordance with these Procedures.

Article 2 The procedures are pursuant to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," that is issued by the local securities authorities (i.e. FSC ROC (Taiwan)). Should there be any insufficiency of the procedures, relational finance laws are to be followed, including "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" of the region where the Company is listed. Hereinafter "the Act" is referred to the financial supervision laws of the region where the Company is listed. Additionally, the competent authority referred to here is the institution supervising the corporations, as well as the securities of the region where the Company is listed.

Article 3 Applicable Scope of Assets in the Procedures

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Property (lands, houses and buildings, investment property and construction stocks included) and Equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use Assets.
- VI. Derivative Products.
- VII. Assets Acquired or Disposed through Mergers, Demergers, Acquisitions or Transfer of Shares in accordance with Law.
- VIII. Other Material Assets.

Article 4 Definition

- I. Derivative Products: A Forward contract, options contract, futures

contract, leverage contract, or swap contract, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variables; or a hybrid contract combining the above contracts; or a hybrid contract or structured product containing an embedded derivative product. The term "forward contract" does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, or long-term purchase (sales) contracts.

- II. Assets Acquired or Disposed through Mergers, Demergers, Acquisitions or Transfer of Shares in accordance with Law: Referred to an asset acquired or disposed through mergers, demergers or acquisitions conducted under "Business Mergers and Acquisitions Act," "Financial Holding Company Act," "Financial Institution Merger Act" and other acts of the region where the Company is listed or the shares transferred from another company through the issuance of new shares of its own pursuant to Article 156.3 in "Company Act" of the region where the Company is listed (hereinafter referred to as "shares transferee").
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission of the region where the Company is listed or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

- VII. Securities Exchange: Domestic securities exchange refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent authorities for securities in where it is located.
- VIII. Over-the-counter Venue (OTC Venue, or OTC): Domestic OTC venue refers to a venue for OTC trading provided by a securities firm in accordance with "Regulations Governing Securities Trading on the Taipei Exchange;" foreign OTC venue refers to a venue at a financial institution that is regulated by the foreign competent authority and is permitted to conduct securities business.

Article 5 Procedure of Evaluation

- I. For the acquisition or disposal of securities that are not traded on securities trading market of each country, the price shall be determined in consideration of the net value per share, profitability, future development potential, market interest rate, bond coupon rate, debtor's creditworthiness and the trading price at that time.
- II. For the acquisition or disposal of securities that are already traded on securities trading market of each country, the price shall be determined based on the price of the stock or bond at the time of trading.
- III. The acquisition or disposal of other assets other than the preceding two paragraphs, shall be proceeded by methods of price inquiry, price comparison, price negotiation or open tendering, and shall take into consideration the publicly announced current value, assessed value, and the actual transaction price of nearby real properties. For those that meet the standards for public announcement in accordance with these Procedures, the Company shall refer to the appraisal report from professional appraiser. The appraiser, issuing an appraisal report or opinion, may not be a related party of the Company.

Article 6 Procedure of acquisition or disposal of assets

- I. The acquisition or disposal of assets shall evaluate the items such as the reasons for the proposed acquisition or disposal, targeted assets, counterparties, price of transfer, receipt and payment terms, and price reference, etc. and then submit for approval. After the evaluation have been approved, relevant units shall execute in accordance with these Procedures.
- II. If there is any material violation that makes material damage to the

company, relevant person will receive penalties commensurate with the severity of such violation.

Article 7 Limit and Level of Authority Delegated

- I. Securities: The Chairman is authorized to approve in an amount less than NT\$50 million. Where the transaction amount reaches NT\$50 million, the approval of the Board of Directors shall be required. Investment in Mainland China shall be subject to the consent of the shareholders' meeting or execution by the Board at the authorization of the shareholders' meeting, and petitioned with the Board of Investment of Ministry of Economic Affairs Investment Commission for approval before proceeding.
- II. Derivatives Trading: shall handle in compliance with "Procedures for Engaging in Derivatives Trading".
- III. Acquire of real property from a related party: shall prepare related information, and present to Audit Committee members for approval and submitted to the Board of Directors for a resolution before proceeding, and shall be done in accordance with Article 17 herein.
- IV. A merger, demerger or acquisition shall be submitted to the shareholders' meeting for approval before made. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. A transfer of shares shall be submitted to the Board of Directors meeting for approval before made.
- V. Real property shall be submitted to the Board of Directors meeting for approval before made. The Chairman is authorized to approve the acquisition or disposal of other fixed assets in an amount less than NT\$50 million. Where the transaction amount reaches NT\$50 million, the approval of the Board of Directors shall be required. If there is any circumstance stipulated in Article 185 of the Company Law, it shall be approved by the shareholders' meeting first.
- VI. Memberships, Patents, copyrights, trademarks, franchise rights, and other intangible assets shall be submitted to the Chairman for approval before made.

Article 8 Limitations are defined for the total amounts of non-operating properties and their right-of-use assets or marketable securities, as well as a specific security, which are purchased by the Company and its subsidiaries, where their

respective facilities are as below:

- I. Total Amounts of Non-operating Properties and their Right-of-use Assets: 200% at most of the net worth of the Company, and 100% at most of the paid-in capital of the subsidiaries.
- II. Total Amounts of securities: 300% at most of the net worth of the Company, and 250% at most of the paid-in capital of the subsidiaries.
- III. Limits on investing in individual securities: 200% at most of the net worth of the Company, and 200% at most of the paid-in capital of the subsidiaries.

Article 9 Public announcement and reporting standards according to the regulations of the region of listing

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- I. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. This shall not apply to trading of government bonds or bonds under repurchase and resale agreements, in the region where the Company is listed, or subscription or redemption of money market funds issued by the securities investment trust enterprises of the region where the Company is listed.
- II. Merger, demerger, acquisition, or transfer of shares.
- III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- IV. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.
- V. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented

land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.

VI. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in China reaches 20% or more of the Company's paid-in capital or NT\$300 million or more. This shall not apply to the following circumstances:

- (I) Trading of the government bonds of the region where the Company is listed.
- (II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by securities investment trust enterprises of the region where the Company is listed.

The amount of transactions above shall be calculated as follows:

- I. The amount of any individual transaction.
- II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- III. The cumulative transaction amount of acquisitions and disposals (acquisitions and disposals are accumulated, respectively) of a property or its right-of-use assets of the same development project within the preceding year.
- IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

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

month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.

Article 10 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

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

Article 11 Excluding the transactions with administration authorities of the region where the Company is listed, constructions by engaging others to build on the Company's own land or a rented land or the acquisition or disposal of machines and equipment or their right-of-use assets for operating activities, any acquisitions or disposals of properties, equipment or its right-of-use assets, or other fixed assets whose transaction amount approaches 20% of the paid-in capital of the Company or NT\$300,000 thousand or more, an appraisal report by the professional appraisers should be acquired before the date of occurrence and the following regulations must be accorded:

- I. Any transaction dealt with based on a limited price, specific price or particular price due to certain peculiar reasons should be submitted to the Board meeting for resolution; should there be any modification of the transaction conditions thereof afterwards, it will be ditto.
- II. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- III. Where any one of the following circumstances applies with respect to

the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- (I) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - (II) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- IV. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 12 The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Article 13 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency of the region where the Company is listed, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

Article 13-1 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 9, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an

appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 14 Where the Company acquires or disposes of assets through court auction procedures in the region of listing or operation, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 15 Any appraisal report or opinion letter from the accountants, attorneys or securities underwriters, which are acquired by the Company, where the professional appraisers and appraisal officers, accountants, attorneys or securities underwriters thereof should follow the related regulations as below:

- I. One cannot have previously received a final and unappealable sentence for imprisonment for at least 1 year for any violation of the Act, Company Act, Banking Act, Insurance Act, Financial Holding Company Act or Business Entity Accounting Act or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. Whereas this provision is not to be applied, if the condition of 3 years of time has been fulfilled since the completion of service of the sentence, or the expiration of period of the suspended sentence, or the receipt of pardon.
- II. One cannot be a related party, or a substantive related party with the transaction party.
- III. The Company should acquire the appraisal reports from at least two different professional appraisers; different appraisers or appraisal officers cannot be the related parties or substantive related parties with each other.

Any personnel described in the preceding paragraph should comply with the conditions as below when proposing an appraisal report or opinion letter:

- I. Before receiving a case, one should discreetly examine his/her own professional capabilities, actual experience and independence.
- II. When examining a case, one should properly make a plan and have it executed by an appropriate process, to propose the appraisal report or opinion letter by his/her conclusions. Also, any procedures executed, information collected and comments concluded thereof should be exactly recorded in the original working drafts of the case.
- III. In terms of the resources of data, parameters as well as information that are adopted, one should assess the appropriateness and rationality thereof one by one to be the fundamental of the appraisal report or

opinion letter.

- IV. Statement contents should include the proof of professionalism and independence of the relational personnel, as well as the appropriateness, rationality and concerning laws which are to be followed of the information used for assessment.

Article 16 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the Procedures.

Article 17 When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, in the region where the Company is listed, or subscription or redemption of money market funds issued by securities investment trust enterprises of the region where the Company is listed, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution:

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reason for choosing the related party as a transaction counterparty.
- III. Any properties or right-of-use assets thereof acquired from/to a related party should be accorded with Article 18 to measure the relational information concerning the rationality of scheduled transaction conditions.
- IV. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the

necessity of the transaction, and reasonableness of the funds utilization.

- VI. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- VII. Restrictive covenants and other important stipulations associated with the transaction.

Where the Company or a non-listed subsidiary engages in any transaction referred to in the preceding paragraph, and the transaction amount reaches 10% or more of the Company's total assets, the Company shall submit the information listed in the preceding paragraph to the shareholders' meeting for approval before signing the transaction contract and making the payment. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries, or among its subsidiaries.

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

The decision/resolution procedures in the paragraph 1 shall be made in accordance with Article 26, paragraphs 2 and 3.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's Board of Directors may delegate the board chairman to decide such matters when the transaction is within NT\$300,000 thousand and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

- I. Acquisition or disposal of operating equipment or right-of-use assets thereof.
- II. Acquisition or disposal of right-of-use assets of operating property.

The Company has designated the independent directors, where any discussion submitted in the Board meeting should comply with Article 1, and the comments from each independent director should be also taken into consideration adequately. Any adverse or qualified opinions from the independent directors should be recorded in the meeting minutes.

Article 18 Regarding any properties or right-of-use assets thereof acquired from/to a

related party by The Company, rationality of the transaction costs should be measured according to the methods as listed below:

- I. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

Where the lands and structures thereupon are merged as a single property purchased or leased in one transaction, the transaction costs for the lands and structures are to be separately appraised in accordance with either of the methods listed in the preceding paragraph.

The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

Regarding any properties or right-of-use assets thereof acquired from/to a related party by The Company, Article 17 should be followed instead of the previous three provisions in the preceding paragraph if any circumstances described as below occur.

- I. A related party acquires any properties or right-of-use assets thereof by inheritance or as a gift.
- II. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
- III. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
- IV. The real property right-of-use assets for business use are acquired by

the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.

If the estimates concluded by both Article 1 as well as Article 2 followed by The Company are less than a transaction price, then Article 19 should be complied with. Whereas any circumstances described as below, where the objective evidences, as well as the specifically reasonable comments concluded by the professional property appraisers and accountants, are not subject to this restriction:

- I. Where the related party acquired an undeveloped land or a leased land for new construction, either of the following conditions must be proven by evidence:
 - (I) Where undeveloped land is appraised in accordance with the means in the preceding four paragraphs, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (II) Transactions to an unrelated party within the preceding year involving other floors of the same property or neighborhoods, where the land areas are alike, and the transaction conditions are similar after being assessed for the reasonable discrepancies in price between each floor or land area in accordance with the standard criteria of a property commerce or lease agreement.
- II. The Company raises the evidences of the properties purchased or the right-of-use assets of properties leased from/to a related party, whose transaction conditions are similar to the ones of the neighborhoods with other unrelated parties within the preceding year, also the land areas are alike as well.

Where the transactions of neighborhoods described as above are transacted due to the same or adjacent street which ranges within 500 meters to the subject matter of transaction, or, whose current values are similar to the subject matter. Wherein the similar land area as above is defined as that, a land area

transacted with other unrelated parties is subject to be at least 50% proportionated of the one of this subject matter. Also, “within the preceding year” herein refers to the date of occurrence of acquisition of the properties or the right-of-use assets of properties this time, and is then retrospective for one year.

Article 19 Regarding any properties or right-of-use assets thereof acquired from/to a related party by The Company, those transaction costs measured as the lower ones pursuant to Article 18 should be dealt with by the following:

- I. Appropriated retained earnings should be accounted for the discrepancies between transaction prices and estimated prices of properties or right-of-use assets thereof, and distribution or capital increase for share distribution shall be prohibited. If an investor who adopts the equity method to launch an investment to The Company is a public company of the region where The Company is listed, then the appropriated retained earnings should also be accounted for the accounting amount by shareholding ratio.
- II. Independent directors of the audit committee shall comply with Article 218 of “Company Act”.
- III. Treatment as by the first as well as the second provisions in the preceding paragraphs should be reported in the shareholders meeting, also all the details of transactions should be disclosed in the Annual Report and Prospectus.

Appropriated retained earnings accounted by The Company in compliance with the former provision will not be operated until the recognized loss by a falling price of an asset which is purchased or leased at a higher price or the disposal or termination of a lease agreement is compensated properly recovered or not any irrationalities found via other evidences, and then after being ratified by the securities authorities.

Regarding any properties or right-of-use assets thereof acquired from/to a related party by The Company, the two provisions in the preceding paragraph should be complied with if any evidence shows that there is violation of operational regulations in the transactions.

Article 20 The Company engaging in derivatives trading shall be conducted in accordance with the “Procedures for Engaging in Derivatives Trading” of the Company, and pay attention to risk management and auditing matters to fulfill the Internal Control System of the Company.

Article 21 The Company that conducts a merger, demerger, acquisition, or transfer of

shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to the preceding paragraph when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.

Article 22 The Company and the other company participating in a merger, demerger, or acquisition shall convene the Board of Directors Meeting and Shareholders' Meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent securities authority is notified in advance of extraordinary circumstances and grants consent.

The Company and the other company participating in a transfer of shares shall call the Board of Directors Meeting on the day of the transaction, unless another act provides otherwise or the competent securities authority is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another

company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:

- I. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- II. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
- III. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or

share transfer; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company of the region where the Company is listed, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of this Article.

Article 23 The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

- I. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
- II. An action, such as a disposal of major assets, that affects the company's financial operations.
- III. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- IV. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- V. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

- I. Handling of breach of contract.
- II. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is

extinguished in a merger or that is demerged.

- III. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- IV. The manner of handling changes in the number of participating entities or companies.
- V. Preliminary progress schedule for plan execution, and anticipated completion date.
- VI. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 24 Provisions of the Subsidiaries for the acquisition or disposal of assets

- I. If the subsidiary has not established the procedures for the acquisition or disposal of assets, it shall follow the procedures for the acquisition or disposal of assets of the Company. If the subsidiary has established its procedures for the acquisition or disposal of assets, it shall be handled in compliance with the procedures of the subsidiary.
- II. Information required to be publicly announced and reported in accordance with the provisions of Article 9 on acquisitions and disposals of assets by a subsidiary that is not itself a public company of the region where the Company is listed shall be reported by the Company.
- III. For public announcement and regulatory filing standards of the Subsidiaries, the terms "reaches 20% or more of paid-in capital" or "10% or more of the company's total assets" shall refer to the Company's paid-in capital or total assets.

Article 24-1 For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China shall be used.

In the case of a company whose shares have no par value or a par value other than NT\$10—for the calculation of transaction amounts of 20 percent of paid-in capital under these Procedures, 10 percent of equity attributable to owners of the parent shall be substituted.

Article 25 With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, it shall be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 26, paragraphs 2 and 3.

Article 26 These Procedures shall be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall record the Director's dissenting opinion in the minutes of the Board of Directors meeting and to a shareholders' meeting for discussion.

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

The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.