

HOTAI MOTOR CO., LTD.
PROCEDURES FOR THE ACQUISITION AND DISPOSITION OF ASSETS
(Translation)

June 22, 2017

Article 1 Objective

The Procedures are adopted for the purpose of safeguarding company assets and implementing information transparency.

Article 2 Statutory Basis

The Procedures are adopted based on Article 36-1 of the Securities and Exchange Act (the "Act").

Article 3 Scope of Assets

- 3.1. Securities, including investments in stocks, government bonds, corporate bonds, bank debentures, investment funds, depositary receipts, put and call warrants, beneficiary securities, and asset-backed securities.
- 3.2. Real property (including land, building, structure, investment property, right to use land, inventories in the construction industry) and other fixed assets.
- 3.3. Membership.
- 3.4. Intangible assets such as patent, copyright, trademark, and concession.
- 3.5. Creditor's rights of financial institutions, including accounts receivable, foreign currency buying, discount, lending, and nonperforming loans.
- 3.6. Derivatives.
- 3.7. Assets acquired or disposed in connection with mergers, spin-offs, acquisitions, or transfer of shares under the law.
- 3.8. Other significant assets.

For the purpose of the Procedures, an asset transaction is deemed "material" where the approval of the board of directors ("Board of Directors" or "Board") is required according to the Procedures or applicable laws.

Article 4 Investment Limit on Acquisition of Real Property or Securities for Non-Business Use

The Company and its subsidiaries are each subject to the following limits when acquiring the aforementioned assets:

- 4.1. The aggregate amount invested in real property for non-business use shall not exceed 25 percent of its net worth.
- 4.2. The aggregate amount invested in short-term/long-term securities shall not exceed its net worth (this does not apply if it's due to the needs of a holding company in its own industry).
- 4.3. The aggregate amount invested in individual securities shall not exceed 30 percent of its net worth (this does not apply if it's due to the needs of a holding company in its own industry.)

Article 5

Any professional appraisers and their personnel, auditors, lawyers, and underwriters that are involved in the preparation and issuance of the appraisal reports or opinion letters of auditors, lawyers, or underwriters obtained by the Company shall not be a related party of any parties to the transaction.

Article 6 Acquisition and Disposition of Real Property and other Fixed Assets

6.1. Evaluation and Processing

In acquiring or disposing real property and other fixed assets, the Company shall comply with the fixed asset lifecycle management policy under the internal control system.

6.2. Procedures to Determine Transaction Terms and Approval Limits

6.2.1. In acquiring or disposing real property, the Board of Directors shall discuss and determine the transaction terms and price based on the current value published and assessed value of the property, as well as the prices of neighboring properties sold, and present an analysis report to the chairman of the Board. Transactions of NT\$50 million or less shall be approved by the chairman of the Board and ratified at the next Board meeting; transactions over NT\$50 million shall be approved by the Board of Directors in advance.

6.2.2. The acquisition or disposition of other fixed assets shall be determined in any of the following methods: by inquiring quotations, collecting and comparing quotations, negotiating prices, or through a bid process. Transactions of NT\$5 million or less shall follow the approval hierarchy pursuant to the authorization rules; transactions more than NT\$5 million shall be approved by the Board of Directors in advance.

6.2.3. According to the Procedures or other applicable laws, the acquisition and disposition of real property and other fixed assets by the Company shall be approved by the audit committee and the Board of Directors.

6.2.4. When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the

opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.

6.2.5. Material asset transactions shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 3 and 4 of Article 16 of the Procedures shall apply.

6.3. Execution Departments

After the transaction has been approved according to Article 6.2, the acquisition or disposition of real property or other fixed assets shall be executed by the using department and the managing department.

6.4. Appraisal Report

In acquiring or disposing real property or other fixed assets in the amount of at least 20 percent of the Company's paid-in capital, or NT\$300 million or more, except in the case of transactions with government agencies, engaging another party to build on its own land or leased land, or acquiring or disposing other fixed assets for business use, the Company shall obtain appraisal reports from professional appraisers prior to the transaction and comply with the following rules:

6.4.1. If due to special circumstances, it becomes necessary to use a limited price, specific price or special price as reference base for the transaction price, the transaction shall be approved by resolution of the Board in advance; the same procedure shall apply for any future amendment to the transaction terms.

6.4.2. Appraisals by two or more professional appraisers are required if the transaction value is NT\$1 billion or more.

6.4.3. If the appraisal results by the professional appraisers indicate either of the following, except when each appraised value of the acquired assets is higher than the transaction value, or each appraised value of the disposed assets is lower than the transaction value, the Company shall engage an auditor to perform the appraisal pursuant to the Statements on Auditing Standards No. 20 issued by the Accounting Research and Development Foundation ("ARDF") and render an opinion regarding the reason for discrepancy and adequacy of the transaction price:

(1) The discrepancy between the appraisal results and transaction value is 20 percent of the transaction value or more; or

(2) The discrepancy between the appraisal results of the two or more professional appraisers is 10 percent of the transaction value or more.

6.4.4. No more than three months shall have lapsed between the date of the report by each professional appraiser and the execution date of the transaction contracts; provided, however, an opinion may be issued by

the original professional appraiser where the current value published for the same period is applicable and no more than six months have lapsed.

- 6.4.5. If the Company acquires or disposes assets at a court auction, the Company may submit court documents in lieu of an appraisal report or auditor's opinion.

Article 7 Acquisition and Disposition of Securities Investments

7.1. Evaluation and Processing

The purchase and sale of long-term and short-term securities by the Company shall follow the investment lifecycle management policy under the internal control system.

7.2. Procedures to Determine Transaction Terms and Approval Limits

7.2.1. In making purchases or sales of securities that are traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned domestic financial instruments and services companies, domestic bond funds, and domestic money market funds), the authorized department shall make such determination based on market trends. Transactions of NT\$5 million or less shall be approved by the chairman of the Board; transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported in the next Board meeting; a report on the analysis of unrealized gains or losses shall also be submitted. Transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.

7.2.2. In making purchases or sales of securities that are not traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned domestic financial instruments and services companies, domestic bond funds, and domestic money market funds), the Company shall obtain the most recent financial statements of the issuing company certified or reviewed by an auditor prior to the transaction and consider its earnings per share in evaluating the transaction price. Transactions of NT\$5 million or less shall be approved by the chairman of the Board; transactions more than NT\$5 million but less than NT\$50 million shall be approved by the chairman of the Board and reported in the next Board meeting; a report on the analysis of unrealized gains or losses of the long-term or short-term securities shall also be submitted. Transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.

7.2.3. According to the Procedures or other applicable laws, acquisition and disposition of securities by the Company shall be approved by the audit committee and the Board of Directors.

7.2.4. When a transaction involving the acquisition or disposition of assets is

submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.

7.2.5. Material asset transactions shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 3 and 4 of Article 16 of the Procedures shall apply.

7.3. Execution Departments

After the transaction has been approved according to Article 7.2, the Company's investment in long-term/short-term securities shall be executed by the finance and accounting departments.

7.4. Expert Opinion

7.4.1. For acquisition or disposition of securities with transaction value of at least 20 percent of the Company's paid-in capital, or NT\$300 million or more, the Company shall consult with an auditor on the fairness of the transaction price prior to the date of occurrence of the event in the transaction; if the auditor decides to use the work of an auditor's expert, he/she shall comply with the Statements on Auditing Standards No. 20 issued by ARDF. However, this requirement does not apply to securities publicly quoted in an active market or where it is otherwise provided by the Financial Supervisory Commission ("FSC").

7.4.2. If the Company acquires or disposes assets at a court auction, the Company may submit court documents in lieu of an appraisal report or auditor's opinion.

Article 8 Related Party Transactions

8.1. The acquisition and disposition of assets by the Company with a related party shall follow relevant procedures in obtaining approvals and evaluating the fairness of transaction terms. Transactions in the value of 10 percent or more of the Company's total assets will also require appraisal reports from professional appraisers or auditor's opinions.

Transaction value shall be calculated according to Article 9-1 of the Procedures.

In considering whether a counterparty to the transaction is a related party, both the legal form and the substance of the relationship between the parties shall be assessed.

8.2. Evaluation and Processing

In acquiring or disposing real property from or to a related party, or acquiring or disposing assets other than real property in the amount of at least 20 percent of the Company's paid-in capital, or 10 percent of the Company's total assets, or

NT\$300 million or more, except in the case of sale and purchase of government bonds or bonds with repurchase or resale agreement, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may only proceed to enter into a transaction contract or make any payment after the following information has been submitted to the audit committee for approval and adopted by resolution of the Board of Directors:

- 8.2.1. The purpose, necessity and anticipated benefits of the acquisition or disposition of assets.
- 8.2.2. The reason in selecting the related party as a counterparty to the transaction.
- 8.2.3. With respect to the acquisition of real property from a related party, relevant information provided for the evaluation on the fairness of the proposed transaction terms and conditions pursuant to Article 8.3.
- 8.2.4. The date and price at which the related party originally acquired the assets, the original counter party, and the counterparty's relationship with the Company and the related party.
- 8.2.5. Monthly cash flow forecast for the year commencing from the proposed month of contract signing, and evaluation of the necessity of the transaction and the legitimacy of fund utilization.
- 8.2.6. The appraisal reports by professional appraisers or auditor's opinion obtained according to Article 8.1.
- 8.2.7. Restrictive covenants and other important stipulations of the current transaction.

When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.

Material asset transactions shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 3 and 4 of Article 16 of the Procedures shall apply.

8.3. Evaluate Whether Transaction Costs Are Reasonable

8.3.1. In acquiring real property from a related party, the Company shall evaluate whether the transaction costs are reasonable according to the following methods:

- (1) The related party's transaction price plus interests on necessary funds and costs which are legally required to be borne by the buyer. "Interest on necessary funds" shall be calculated based on the weighted average interest rate of its borrowing during the year in which the Company purchases the real property, which shall not

exceed the maximum lending interest rate for non-financial industry published by the Ministry of Finance.

- (2) The total assessed lending value of the real property by a financial institution where the related party has created a mortgage as security for a loan from such financial institution; provided, however, the cumulative value of the loan granted by the financial institution based on such real property shall be at least 70 percent of the total assessed lending value, and more than one year of the loan period has lapsed. However, this method shall not apply if the financial institution is a related party to either party of the transaction.

8.3.2. If the land and the building(s) erected thereon are combined as a single property purchased in the same transaction, the transaction costs of the land and the building(s) may be separately evaluated according to either of the methods stated in Article 8.3.1.

8.3.3. In acquiring real property from a related party, the Company shall evaluate the costs pursuant to Article 8.3.1 and Article 8.3.2 and engage an auditor to review and render an opinion on the evaluation.

8.3.4. If the evaluation results of the acquisition of real property from a related party by the Company pursuant to Article 8.3.1 and Article 8.3.2 are both lower than the transaction price, the transaction shall be processed according to Article 8.3.5. However, the above shall not apply if any of the following circumstances occur and the Company is able to present objective evidence and obtain opinions from professional real property appraiser and auditor on whether the transaction costs are reasonable:

- (1) If the related party acquires or leases an undeveloped land for building purposes and is able to produce evidence that any of the following conditions is met:

- (a) The total value of the undeveloped land, assessed pursuant to Article 8.3.1, and the buildings, assessed based on the construction costs and reasonable construction profits of the related party, exceeds the final transaction price. "Reasonable construction profits" shall mean the average gross operating margin of the related party's construction division in the most recent three years, or the gross margin for the construction industry most recently published by the Ministry of Finance, whichever is lower.

- (b) Transactions completed by non-related parties within the last year which involve units on other floors of the same property or other real property in neighboring areas, where it's similar in size and the transaction terms are comparable after taking into account a reasonable price difference in floors or area according to the common practice of real property sales.

註解 [NC1]: 應為本條第三項第一款

- (c) Property leased by non-related parties within the last year involving units on other floors of the same property, where the transaction terms are comparable after taking into account a reasonable price difference in floors according to the common practice of real property sales.
- (2) The Company is able to produce evidence that the transaction terms of the real property purchased from the related party are comparable to other transactions completed within the last year by non-related parties for the acquisition of similar sized property in neighboring areas.

"Transactions completed in neighboring areas" in the preceding paragraph shall mean property that is located on the same or adjacent block which is within 500 meters, or property with similar current value published. "Similar sized" shall mean other transactions completed by non-related parties that are no less than 50 percent of the size of the property in the current transaction. "Within the last year" shall mean within one year preceding the date of the acquisition of the real property in the current transaction.

8.3.5. If the evaluation results of the acquisition of real property from a related party by the Company pursuant to Article 8.3.1 and Article 8.3.2 are both lower than the transaction price, the following steps shall be taken:

- (1) The difference between the real property transaction price and evaluated costs shall be set aside as special surplus pursuant to Article 41, Paragraph 1 of the Act, and may not be used for dividend distribution or issuance of bonus shares to raise additional capital. Public companies using the equity method to account for their investment in the Company shall also set aside a special surplus pursuant to Article 41, Paragraph 1 of the Act in the amount pro rata to the number of shares held in the Company.
- (2) The audit committee of the Company shall comply with Article 218 of the Company Act.
- (3) Actions taken under subparagraphs (1) and (2) herein shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and prospectus of the Company.

Subject to FSC approval, the Company and other public companies under subparagraph (1) herein that have set aside a special reserve under the preceding paragraph may not utilize the special reserve until the assets purchased at a premium have been recognized as loss due to decline in market value, or have been disposed of, or adequate compensation has been made, or the original state has been restored, or there is evidence confirming that the transaction costs are

reasonable.

註解 [NC2]: 為使文意通順, 由第一段移到最後一段。

- 8.3.6. If the acquisition of real property from a related party meets any of the following conditions, the Company will only be subject to Article 8.1 and provisions regarding evaluation and processing under Article 8.2; provisions governing the evaluation of whether transaction costs are reasonable under Articles 8.3.1, 8.3.2, and 8.3.3 would not apply:
- (1) The related party acquires the real property by way of succession or a gift.
 - (2) More than five years have lapsed from the time when the related party entered into a contract to acquire the real property, to the contract execution of this transaction.
 - (3) The Company acquires the real property as a result of entering into a joint construction contract with the related party, or engaging the related party to build on the Company's own land or leased land.
- 8.3.7. If the acquisition of real property by the Company from a related party indicates any transaction irregularities, it shall follow the steps provided in Article 8.3.5.

Article 9 Acquisition and Disposition of Memberships and Intangible Assets

9.1. Evaluation and Processing

In acquiring or disposing memberships or other intangible assets, the Company shall comply with the fixed assets lifecycle management policy under the internal control system.

9.2. Procedures to Determine Transaction Terms and Approval Limits

- 9.2.1. In acquiring or disposing memberships, the Company shall consider their fair market value in determining the transaction terms and price, and present an analysis report to the president. Transactions in the value of 1 percent of the Company's paid-in capital or less, or NT\$3 million or less shall be approved by the president and ratified at the next Board meeting; transactions over NT\$3 million shall be approved by the Board of Directors in advance.
- 9.2.2. In acquiring or disposing intangible assets, the Company shall consider expert evaluation or their fair market value in determining transaction terms and price, and present an analysis report to the chairman of the Board. Transactions in the value of 10 percent of the Company's paid-in capital or less, or NT\$20 million or less shall be approved by the chairman of the Board and ratified at the next Board meeting; transactions over NT\$20 million shall be approved by the Board of Directors in advance.
- 9.2.3. According to the Procedures or other applicable laws, the acquisition and disposition of memberships or other intangible assets by the Company shall be approved by the audit committee and the Board of

Directors.

9.2.4. When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.

9.2.5. Material asset transactions shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 3 and 4 of Article 16 of the Procedures shall apply.

9.3. Execution Departments

After the transaction has been approved according to Article 9.2, the acquisition or disposition of memberships or other intangible assets shall be executed by the using department and finance or administrative department.

9.4. Expert Opinion

For the acquisition and disposition of memberships or other intangible assets with transaction value of at least 20 percent of the Company's paid-in capital, or of NT\$300 million or more, except in the case of transactions with government agencies, the Company shall consult with an auditor on the fairness of the transaction price prior to the date of occurrence of the event; the auditor shall follow the Statements on Auditing Standards No. 20 issued by ARDF.

Article 9-1

The calculation of transaction value under Articles 6, 7, 8, and 9 shall follow Article 13 of the Procedures. "Within the last year" shall mean one year preceding the date of occurrence of the event in this transaction. Items for which an appraisal report from a professional appraiser or an auditor's opinion have been obtained need not be counted towards the transaction value; in the case of related party transactions, items which have been approved by the audit committee and adopted by the Board of Directors need not be counted towards the transaction value.

Article 10 Acquisition and Disposition of Creditor's Rights of Financial Institutions

In general, the Company does not engage in transactions involving the acquisition or disposition of creditor's rights of financial institutions. If the Company wishes to enter into such transactions in the future, the Board of Directors will adopt an evaluation and processing procedure after the proposals are submitted and approved by the Board of Directors.

Article 11 Derivatives

To trade derivatives, the Company shall follow the Company's Procedures for Engaging in the Trading of Derivatives.

Article 12 Mergers, Spin-offs, Acquisitions, and Transfer of Shares

12.1. Evaluation and Processing

12.1.1. In conducting mergers, spinoffs, acquisitions, or transfer of shares, the Company is advised to consult with lawyers, auditors, or underwriters on the estimated timeline of the legal procedures required for the transaction, and put together a team for the project to implement the steps according to the legal procedures. Prior to convening the Board meeting, the Company shall also engage auditors, lawyers, or underwriters to render opinions on the fairness of the share exchange ratio, acquisition price, or distribution to the shareholders in cash or in kind. The proposal shall then be submitted to the Board of Directors for discussion and approval. However, the Company is not required to obtain the aforesaid opinion on fairness of the transaction rendered by an expert 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, or 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.

12.1.2. Prior to the shareholders meeting, the Company shall prepare disclosure documents to the shareholders and include important contractual terms and relevant matters of the merger, spin-off or acquisition. Such documents shall be delivered along with the expert opinion referred to in Article 12.1.1 and notice of meeting to the shareholders as reference in determining whether to approve the transaction. However, this provision does not apply to mergers, spin-offs, or acquisitions that are exempt from the requirement to convene a shareholders meeting to adopt a resolution. If any company involved in a merger, spin-off, or acquisition fails to convene a shareholders meeting or reach a resolution due to lack of quorum or voting rights or other legal restrictions, or the proposal is rejected by the shareholders meeting, such company shall immediately provide a public statement explaining the reasons why the transaction fails to be completed, follow-ups, and proposed date of the next shareholders meeting.

12.2. Other Important Information

12.2.1. Dates of the Board meeting and shareholders meeting: Unless otherwise provided by the law, or the approval of FSC has been obtained in advance due to special circumstances, any company involved in a merger, spin-off, or acquisition shall call a Board meeting and shareholders meeting on the same day as other participating

companies to approve matters relevant to such merger, spin-off, or acquisition. Unless otherwise provided by the law, or the approval of FSC has been obtained in advance due to special circumstances, any company involved in a transfer of shares shall call a Board meeting on the same day as other participating companies. Any company involved in a merger, spin-off, acquisition, or transfer of shares that is listed on a stock exchange or having its shares traded on an over-the-counter market shall prepare a full written records of the following information, which shall be kept for five years for future review and audit purpose:

- (1) Basic information of personnel: including the title, name, and identification number (or passport number in the case of a foreign national) of any person who is involved in the planning and implementation of the merger, spin-off, acquisition, or share transfer prior to the disclosure of the transaction.
- (2) Important dates: including the dates on which the letter of intent or memorandum of understanding is entered into, the financial or legal counsels are engaged, the transaction contracts are executed, and Board meetings are held.
- (3) Material documents and meeting minutes: including merger, spin-off, acquisition, or share transfer plans, letter of intent or memorandum of understanding, material contracts, and meeting minutes of the Board.

Any company involved in a merger, spin-off, acquisition, or transfer of shares that are listed on a stock exchange or having its shares traded on an over-the-counter market shall submit the information listed under subparagraphs (1) and (2) to FSC's online filing system in the required format within two days as of the date on which the resolution is passed by the Board of Directors.

Any company involved in a merger, spin-off, acquisition, or transfer of shares that is listed on a stock exchange or having shares traded on an over-the-counter market shall enter into agreements with those involved in the transaction that are not listed on a stock exchange or having shares traded on an over-the-counter market, and comply with the preceding two paragraphs.

- 12.2.2. Confidentiality: Prior to the transaction becomes public, every person that is involved in or know of the merger, spin-off, acquisition, or share transfer plan of the Company shall sign a written confidentiality agreement to undertake that he/she will not disclose details of the plan to any other party, and will not trade, in his/her own name or in a nominee account, any shares or equity securities issued by the companies involved in the merger, spin-off, acquisition, or transfer of shares.

12.2.3. Principles of setting and adjusting share exchange ratio and acquisition price: Prior to convening the Board meetings, each company involved in the merger, spin-off, acquisition, or transfer of shares shall engage auditors, lawyers, or underwriters to render opinions on the fairness of the exchange ratio, acquisition price, or distribution to the shareholders in cash or in kind. The proposal shall then be submitted to the shareholders meeting for approval. Generally, the share exchange ratio and acquisition price may not be arbitrarily altered unless clauses specifying conditions where adjustment is permitted are included in the contracts and have been disclosed to the public.

The conditions are as follows:

- (1) Raising additional capital by way of cash, or issuance of convertible corporate bonds, bonus shares, corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity securities.
- (2) Actions involving the disposition of material assets of the Company which would have an effect on the financial operations of the Company.
- (3) An event such as major disaster or significant innovation in technology which has an effect on the shareholder interests or share price of the Company.
- (4) An adjustment made due to repurchase of their own shares under the law as treasury stocks by any of the companies involved in the merger, spin-off, acquisition, or transfer of shares.
- (5) Changes in the entities involved in the merger, spin-off, acquisition, or transfer of shares, or increase or decrease in number of the companies involved.
- (6) There are other conditions stipulated in the transaction contracts where changes are permitted which have been disclosed to the public.

12.2.4. Mandatory clauses in the transaction contracts: Except as otherwise provided in Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, a merger, spin-off, acquisition, or share transfer contract shall include the following:

- (1) Breach and default.
- (2) Principles of handling equity securities previously issued or bought back as treasury stocks by the dissolving company in a merger or by the spun-off company.
- (3) The number of shares participating companies are allowed to purchase as treasury stocks under the law after the record date to

calculate the share exchange ratio, and the principles of handling such matters.

- (4) Manners in handling changes in entities involved in the transaction, or decrease or increase in number of entities involved.
- (5) Proposed implementation schedule and completion date.
- (6) Relevant procedures such as the proposed date to convene shareholders meeting mandated by the law if the transaction fails to be completed as scheduled.

12.2.5. Changes in the number of companies involved in the merger, spin-off, acquisition or transfer of shares: After the merger, spin-off, acquisition, or transfer of shares becomes public, if any participating company contemplates in entering into the merger, spin-off, acquisition, or transfer of shares with another company, all the companies involved shall redo the same procedures and legal actions that have been completed under the original transaction. Except where the number of participating company decreases, and the shareholders meetings of other remaining participating companies have adopted a resolution authorizing the Board of Directors to make any changes, in which case, no additional resolutions from the shareholders meetings will be required.

12.2.6. If there is any non-public company involved in a merger, spin-off, acquisition, or transfer of shares, the Company shall enter into agreements with such non-public company and comply with the provisions governing the dates of the Board meeting and shareholders meeting in Article 12.2.1, confidentiality undertaking in Article 12.2.2, and changes in number of companies involved in the merger, spin-off, acquisition, or transfer of shares in Article 12.2.5.

Article 13 Information Disclosure

13.1. Required Filings and Standards

If the acquisition or disposition of assets fall under any of the following categories, the Company shall submit relevant information on the website designated by FSC in the required format by type of transaction within two days as of the date of occurrence of the event:

- 13.1.1. Acquisition or disposition of real property from or to a related party, or acquisition or disposition of assets other than real property from or to a related party where the transaction value is at least 20 percent of the paid-in capital of the Company, or 10 percent of the total assets of the Company, or NT\$300 million or more. However, this does not apply to purchase and sale of government bonds, bonds with repurchase or resale agreement, or subscription or repurchase of money market

funds issued by domestic securities investment trust enterprises.

- 13.1.2. Merger, spin-off, acquisition, or transfer of shares.
- 13.1.3. Derivatives trading losses which exceed the limit of aggregate losses or losses from individual contracts set forth in the procedures adopted by the Company.
- 13.1.4. A transaction where the type of assets acquired or disposed are other fixed assets for business use, the counterparty is not a related party, and the transaction value is under NT\$500 million.
- 13.1.5. The real property is acquired through an arrangement of engaging another party to build on its own land or leased land, space sharing or profit sharing under joint construction of buildings, or joint construction of buildings that are separately sold, and the amount of money the Company is prepared to invest in the transaction is less than NT\$500 million.
- 13.1.6. Asset transactions other than set forth in Article 13.1.1 to Article 13.1.5, disposition of creditor's rights by financial institutions, or investments in Mainland China where the transaction value is at least 20 percent of the paid-in capital of the Company, or NT\$300 million or more. However, this does not apply to the following transactions:
 - (1) Purchase and sale of government bonds.
 - (2) Trading of securities on an overseas or domestic exchange or over-the-counter market, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the domestic primary market as investment professionals.
 - (3) Purchase and sale of bonds with repurchase or resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

13.2. The transaction value shall be calculated as follows:

- 13.2.1. The amount of each transaction.
- 13.2.2. The cumulative amount of the acquisition or disposition of the same type of assets with the same counterparty within the last year.
- 13.2.3. The cumulative amount of the acquisition or disposition of real property under the same development project within the last year. The amount of acquisition and disposition of real property shall be calculated separately.
- 13.2.4. The cumulative amount of acquisition or disposition of the same securities within the last year. The amount of acquisition and disposition of securities shall be calculated separately.

“Within the last year” shall mean one year preceding the date of occurrence

of the event in the transaction. Items which have been filed pursuant to the Procedures need not be counted towards the transaction value.

13.3. Filing Procedures

13.3.1. If the Company, at the time of filing, makes any error or omission in an item to be filed which requires correction, all the items shall be re-filed within two days of knowledge of the error or omission.

13.3.2. In acquiring or disposing assets, the Company shall maintain all relevant contracts, meeting minutes, logbooks, appraisal reports, and the opinions of an auditor, lawyer, or underwriter at the Company's place of business. Unless otherwise provided by the law, these records shall be kept for at least five years.

13.3.3. If any of the following occurs after the Company has filed the information with regard to the transaction pursuant to the preceding paragraph, the Company shall submit relevant information on the website designated by FSC within two days as of the date of occurrence of the event:

(1) There has been an amendment, termination, or rescission of the contracts executed in the original transaction.

(2) The merger, spin-off, acquisition, or transfer of shares has not been completed according to the proposed schedule as provided in the contracts.

(3) There has been a change in the original filing.

Article 14

The Company's subsidiaries shall comply with the following rules:

14.1. The subsidiaries shall adopt their own Procedures for the Acquisition and Disposition of Assets according to the Procedures for the Acquisition and Disposition of Assets by Public Companies.

14.2. In acquiring or disposing assets, the subsidiaries shall also follow the rules set forth by the Company.

14.3. If the acquisition or disposition of assets by a non-public subsidiary is subject to the filing requirement stated in Article 13, the parent company shall file the information on behalf of such subsidiary.

14.4. For the purpose of the filing requirement of subsidiaries, "at least 20 percent of the paid-in capital or 10 percent of the total assets of the company" shall mean the paid-in capital or total assets of the Company (parent company).

Article 15 Disciplinary Actions

The acquisition and disposition of assets shall comply with the Procedures. In the

event of a major violation, the personnel in violation shall be subject to disciplinary actions at the discretion of the Company.

Article 15-1

The calculation of 10 percent of the total assets referred to in the Procedures shall be based on the amount of total assets stated in the issuer's most recent parent company-only financial report or individual financial report prepared pursuant to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 16 Implementation and Amendments

The Procedures have been approved by the audit committee and adopted by the Board of Directors and shareholders meeting; the same approval process shall apply to any amendments to the Procedures.

When the Procedures are submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.

If the Company fails to obtain the approval of a majority of all members of the audit committee as provided in the first paragraph, the Procedures may be adopted by the approval of at least two-thirds of all members of the Board. The resolution of the audit committee shall be recorded in the meeting minutes of the Board.

As referred to in the preceding paragraph, "all members of the audit committee" shall mean the incumbent members of the audit committee, and "all members of the Board" shall mean the incumbent members of the Board of Directors.

Article 17 Miscellaneous

All matters not specifically provided for in the Procedures shall be governed by the applicable laws.