

# Far Eastone Telecommunications Co., Ltd

## Handling Procedure for Acquisition and Disposal of Assets

Approved by Annual Shareholder's Meeting on 2023/5/31

Chapter I. General Principle	
Article 1	The acquisition and disposal of any assets of this company shall follow the Handling Procedure on Acquisition and Disposal of Assets (hereinafter called as the Procedure) unless the rules on the management of assets of this company and other relevant regulations shall apply thereto.
Article 2	<p>The scope of assets referred to in the Procedures refers to:</p> <ul style="list-style-type: none"> <li>I. Marketable securities: shares, public bond, corporate bond, financial debenture, securities representing interest in a fund, deposit receipt, call (put) warrant, beneficiary securities and assets backed securities.</li> <li>II. Real property (including land, houses and buildings, investment real property) and equipment.</li> <li>III. Membership</li> <li>IV. Patent, Copyright, Trademark Right, Franchise and other intangible assets</li> <li>V. Right-of-use assets.</li> <li>VI. Derivative products</li> <li>VII. Assets acquired or disposed by means of merger, division, acquisition or stock transfer in accordance with the laws</li> <li>VIII. Other important assets</li> </ul>
Article 3	<p>Definitions:</p> <ul style="list-style-type: none"> <li>I. Derivative products shall mean forward, option, future, leverage contract, swap contracts, whose value are derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The forward as mentioned shall not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</li> <li>II. Assets acquired or disposed by means of merger, division, acquisition or stock transfer in accordance with the laws shall mean those assets acquired or disposed by means of merger, division or acquisition in accordance with the Law on Acquisition and Merger of Enterprises, Law on Financial Holding Companies and other relevant laws or the stock obtained from the transfer or issued for initial public offering in accordance with Article 156-3 of Company Act.</li> <li>III. Related party or subsidiary company: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</li> <li>IV. Professional appraiser shall mean valuator of real estate or other persons engaged in appraising real estate, equipment in accordance with law.</li> <li>V. Date of occurrence of events shall mean those date, whichever is earlier, such as the date of conclusion of transactions, date of payment, date of entrusted dealing, date of stock transfer, date of decision of the Board or other date when the dealing counterpart and amount of dealing can be determined. In case the investment is required to be approved by the competent authority and the date of approval thereof is earlier than those described in the preceding paragraph, the former shall be adopted.</li> <li>VI. Investments in the Mainland shall mean the investments prescribed in the Rules on the Approval of Investment and Technological Cooperation in the Mainland enacted by the Investment Commission, Ministry of Economy.</li> </ul>

Article 4	<p>Where the acquisition and disposal of assets by this Corporation is required by the Procedures and regulations of other laws to be approved by the Board of Directors, the Corporation shall deliver dissenting information to the Audit Committee if any Director dissents and recorded in the minutes or by a written statement thereto. In the event the Corporation, according to the regulations, submits the proposal of acquisition and/or disposal of assets to the Board of Directors for discussions, the opinion of each Independent Director shall be fully considered, and their disagreeing or reservation opinions and the reasons shall be recorded into the minutes.</p> <p>Any transaction involving major assets or derivatives the decision of which requires submission to the Board of Directors for discussion according to the Procedure or regulations of laws shall be concurred in by more than half of all audit committee members and be submitted to the Board of Directors for determination,</p> <p>In the absence of concurrence by over half of all audit committee members for the regulatory audit committee consent matter(s) as required by the Procedure, the matter(s) may be implemented by approval by over two-thirds of all Directors, and the minutes of the Board of Directors shall record the resolution(s) of the audit committee. The "all audit committee members" and "all Directors" shall be the de facto account of numbers of people then holding respective offices.</p>
Article 5	<p>The total amount of securities investment of this company shall not exceed 150% of shareholders' equity as stated in the latest financial statement of this company and the investment in each individual security shall not exceed 80% of shareholders' equity therein. The total book value of real estate for non-business purpose, equipment or right-of-use assets thereof shall not exceed 50% of total assets therein.</p> <p>The total amount of equity investment of this company and its subsidiaries shall not exceed 150% of shareholders' equity as stated in the latest financial statement of this company. The calculation of the said rate shall be referred to the provisions of detailed rules on stock companies of Taiwan securities exchange and other relevant laws and decrees.</p> <p>The latest financial statement mentioned herein shall mean the financial statement made public and reviewed and signed by accountant prior to the acquisition and disposal thereof.</p>
<h3>Chapter II. Handling Procedures</h3>	
Article 6	<p>Handling Procedures for Acquisition and Disposal of Securities</p> <p>I. Evaluation Process</p> <p>(A) Where this company is involved in the investment in securities, its Finance &amp; Facility Services Division shall make a financial analysis of the object of investment and prospective financial gains there from and at the same time, conduct an evaluation of the risks thereof.</p> <p>(B) The securities transactions of this company in stock exchange or over the counter shall be studied and determined by responsible units in light of the market trends. For those transactions not conducted in the stock exchange or over the counter, the latest financial statement of the company issued the shares concerned, which has been made public and reviewed and signed by accountant, shall be referenced for evaluation of net value of per share, profit making capability and the potentials thereof.</p> <p>II. Obtaining professional opinions</p> <p>(A) A public 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 percent of the company's paid-in capital or NT\$300 million or more, the company shall also 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,</p>

	<p>however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>(B) In case the assets acquired or disposed by this company through the auction procedures held by a court, the certificates issued by the court may substitute the evaluation report or the opinion of an accountant</p> <p>III. Authorization and the units in charge of execution</p> <p>The relevant material of acquisition and disposal securities by this company shall be submitted by the Finance &amp; Facility Services Division to the Board for review and approval prior the conduction thereof.</p> <p>In case of the impossibilities of prior review and approval thereby due to time, the acquisition or disposal securities by the Company with the value under NTD 10,000,000, shall be determined by the authorized President (if the President sub-delegates the authorization, the sub-delegation shall apply thereto); where the amount is under NTD 500,000,000, the same shall be determined by the authorized Chairman of the Board (if the Chairman sub-delegates the authorization, the sub-delegation shall apply thereto); however, such transaction shall be confirmed by the Board immediately after the completion thereof. While the amount is over NTD 500,000,000, the same shall be determined by the Board prior to the execution.</p>
Article 7	<p>Handling Procedures for Acquisition and Disposal of Real Estate, Equipment or right-of-use assets thereof.</p> <p>I. Evaluation Process</p> <p>(A) The investment of this company in real estate, equipment or right-of-use assets thereof shall be assessed prudently by the Finance &amp; Facility Services Division or relevant unit regarding its beneficial result and risks involved in light of its current operation, financial status and future planning.</p> <p>(B) An analysis report on the acquisition or disposal of assets or right-of-use assets shall be made by making reference to its announced current value, appraised value, actual dealing price of its neighboring real estate as well as putting forward conditions and prices for transaction.</p> <p>(C) Acquisition or disposal of equipment or right-of-use assets thereof shall be conducted by means of inquiries, price comparison, price negotiation or invitation to bid.</p> <p>II. Evaluation Report On Real estate, equipment or right-of-use assets thereof.</p> <p>If and whenever the amount of the acquisition or disposal of real estate, equipment or right-of-use assets thereof by this company, unless the same is transacted with domestic government agency, entrusted construction on self-owned land or leased land, or machine, equipment or right-of-use assets thereof for business use, has reached 20% of the paid-in capital of the company or NTD0.3 billion, the professional appraiser shall be invited to make evaluation report prior to the date of occurrence of the event (see detailed content as per appendix 1) and meanwhile the following stipulations shall be complied with:</p> <p>(A) In case a transaction must be conducted with reference to limited price, specific price or special price due to special reasons, the board meeting in advance shall approve the same. If the conditions thereof were changed in the future, the prices mentioned herein above shall be still made as references.</p> <p>(B) In case the transaction value reaches NTD 1 billion, the same shall be assessed by at least two professional appraisers.</p> <p>(C) If the results of appraisal thereof have one of the following circumstances, 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, the accounts shall explain the reasons thereof and the</p>

	<p>reasonableness of dealing prices.</p> <p>(a) The gap between the results of appraisal and the dealing price represents at least 20% of the latter.</p> <p>(b) The gap between the results of appraisal conducted by the two professional appraisers or over represents at least 10% of the dealing price.</p> <p>(D) In case the professional appraiser is conducted prior to the date of conclusion of transaction, the latter shall not be later by over three months than the date of report thereon. However, if the same current value announced may be applied thereto and the time does not exceed six months, the opinions may be given by the original professional appraisal.</p> <p>(E) In case the assets acquired or disposed by this company through the auction procedures held by a court, the certificates issued by the court may substitute the evaluation report or the opinion of an accountant.</p> <p>III. Authorization and the units in charge of execution</p> <p>The acquisition of real estate, equipment or right-of-use assets thereof shall be determined as follows:</p> <p>(A) Any transaction within and under the scope of the annual budget approved by the Board shall be determined by the authorized Chairman (if the Chairman sub-delegates the authorization, the sub-delegation shall apply thereto);</p> <p>(B) Any transaction not within or above the scope of the annual budget approved by the Board: if the amount is under NTD 10,000,000, it shall be determined by the authorized President (if the President sub-delegates the authorization, the sub-delegation shall apply thereto); if the amount is over NTD10,000,000 but under NTD 500,000,000, the same shall be determined by the authorized Chairman of the Board (if the Chairman sub-delegates the authorization, the sub-delegation shall apply thereto); However, all the aforesaid transactions shall be confirmed by the Board immediately after the completion thereof.</p> <p>(C) Any transaction no-within or above the scope of the annual budget approved by the Board and the amount is over NTD 500,000,000 shall be determined by the Board prior to the execution.</p> <p>The disposal of real estate, equipment or right-of-use assets thereof shall be determined as follows:</p> <p>(A) Any transaction which book value is under NTD 10,000,000, shall be determined by the authorized President (if the President sub-delegates the authorization, the sub-delegation shall apply thereto); any transaction which book value is over NTD10,000,000 but under NTD 500,000,000 shall be determined by the authorized Chairman of the board (if the Chairman sub-delegates the authorization, the sub-delegation shall apply thereto); However, all the aforesaid transactions shall be confirmed by the Board immediately after the completion thereof.</p> <p>(B) Any transaction which book value is over NTD 500,000,000 shall be determined by the Board prior to the execution.</p> <p>Finance &amp; Facility Services Division or relevant units will be in charge of the execution upon receiving the authorization aforementioned.</p>
Article 8	<p>Handling Procedures for Related Party Transactions</p> <p>I. Besides ensuring that the necessary resolutions are adopted and reasonableness of the transaction terms appraised, in any acquisition or disposal of assets transaction between the Corporation and a Related Party amount of which reaches over 10 percent of the Corporation's total assets, the Corporation shall also obtain an appraisal report from a professional appraiser or an opinion by CPA according to the Procedures. In determining whether the trading counterparty is a related party, the material relationship as well as its legal formalism thereof shall be examined.</p>

## II. Evaluation and Operation Process

(A) Besides trading of domestic government bonds, bonds under repurchase and resale agreements etc., or subscribing or redeeming of domestic money market funds issued by domestic securities investment trust enterprises, the Corporation may not, in acquiring from or disposing of real property or right-of-use assets thereof to a related party, or acquiring from or disposing of assets other than real property or right-of-use assets thereof to a related party and the transaction amount of which reaches 20 percent of the Corporation's paid-in capital, 10 percent of the Corporation's total assets, or over NT\$300 million, the Corporation proceed to enter into a transaction contract or execute a payment until the following matters have been first approved by more than half of all members of the Audit Committee, and then submitted to the Board of Directors for resolution:

- (a) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (b) Reasons for selecting a related party as the trading counterparty.
- (c) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the prospective transaction terms in accordance with the first and fourth subparagraphs of the third paragraph in this Article.
- (d) The date and price at which the related party originally acquired the real property, its original trading counterparty, and its respective related party relationship with the Corporation and the related party, etc.
- (e) Monthly cash flow forecasts for the one year commencing from the execution of the agreement and evaluation of the necessity of dealing and the reasonableness of utilization of funds.
- (f) The appraisal report issued by a professional appraiser or an opinion by a CPA obtained in compliance with the preceding paragraph.
- (g) Restrictive covenants and other important agreements of this transaction.

(B) In the event a proposal of acquisition or disposal of assets is submitted to the Board of Directors for discussions pursuant to the preceding paragraph, the opinion of each Independent Director shall be fully considered, and their disagreeing or reservation opinions and the reasons shall be recorded into the minutes.

(C) If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the public company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and subsidiaries or between its subsidiaries.

## III. Evaluation of reasonableness of transaction cost

(A) In evaluating the reasonableness of the transaction cost for acquiring real estate or right-of-use assets thereof from related party, the Corporation shall apply the following methods:

- (a) In accordance with the transaction price of related party plus necessary interest on funding and the costs to be legally borne by the buyer. The necessary cost of interest on funding is imputed as the weighted average interest rate for the loan borrowed during the year the Corporation acquiring the assets, provided, it shall not be higher than the highest rate of non-financial industry lending as stipulated by the Ministry of Finance.
- (b) In accordance with the total value of the real estate assessed by financial

institution, if the related party created mortgage to obtain loans from the financial institution, provided the cumulative loans account for 70% of the total assessed value and the term of loan has exceeded one year. However, this will not apply if the financial institution is a related party of one of the trading counterparties to the transaction.

- (B) In case of combined purchase or lease of land and house of the same object, the cost of transaction of land or house may separately be appraised by adopting any one of the aforesaid methods.
- (C) The Corporation shall not only appraise the cost of real estate or right-of-use assets thereof acquired from related parties by applying either methods described in the preceding two paragraphs, but also engage certified public accountants to review the same and render their specific opinions.
- (D) When the Corporation acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be processed in accordance with the methods described in the first and second paragraphs of this Article, and the abovementioned three subparagraphs dealing with the evaluating of the reasonableness of transaction cost shall not apply:
  - (a) The related party acquired the real estate or right-of-use assets thereof through inheritance or as a gift.
  - (b) More than five (5) years 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.
  - (c) 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 Corporation's own land or on rented land.
  - (d) The real property right-of-use assets for business use are acquired by the Corporation with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (E) In case the results of evaluation in accordance with the first and second subparagraphs of this paragraph have been proven to be lower than dealing price, the provisions in the sixth and seventh subparagraph of this paragraph herein shall be applied. However, the following circumstances shall be excluded provided competent evidences thereof have been provided and the opinions rendered by the professional appraiser of real estate or accountants so described.
  - (a) The reconstruction on the fountain or leased land acquired by the related party shall meet the following conditions:
    - i. The fountain may be appraised with methods stipulated herein above and the house shall be assessed by construction cost plus reasonable construction profit, the aggregate thereof is higher than the actual dealing price. The reasonable construction profit shall mean the average gross profit margin of the construction department of the related party in the recent three years or the latest gross profit margin in construction industry announced by the Ministry of Finance, whichever is lower.
    - ii. The completed transaction concluded within one (1) year by other non-related party of real estate on the other floor of the same object or in the neighboring area, provided the area and the conditions thereof has been identified as similar after appraisal of variance in prices allowing for the specific floor and region in accordance with the dealing or leasing practices of real estate.
  - (b) The Corporation will induce evidences to establish that the transaction of the real estate acquired by the related party or real property right-of-use assets

through leasing are similar to the completed transaction concluded within one year in the neighboring region by other non-related party in terms of the conditions therefore and the area thereof. The completed transaction in the neighboring region shall mean the real estate thereof is in the same or neighboring street and is less than 500 meters far from the object or the current value thereof announced is similar to that of the object; That the area is similar shall mean the area of the real estate acquired by the non-related party is not less than that of the object by 50% in area.

- (F) In case the results of evaluation of the real estate or right-of-use assets thereof acquired by the related party in accordance with the fifth subparagraph of this paragraph have been proven to be lower than dealing price, the following provisions herein below shall be applied.
- (a) The difference between the dealing prices of the real estate or right-of-use assets thereof appraised cost thereof shall be allocated to Appropriated Retained Earnings in accordance with Article 41.1 of the Securities Exchange Act and shall not be distributed or converted into new shares. In case an investor adopting equity appraisal methods towards its investment in this Corporation is a public Corporation, the same shall allocate a certain percentage in proportion to its proportion of shares held to Appropriated Retained Earnings in accordance with laws.
  - (b) The Independence Directors shall handle the matter in accordance with Article 218 of the Company Act.
  - (c) The circumstances specified in 1 and 2 of this subparagraph shall be reported to the shareholders meeting and the details thereof shall be disclosed in the annual report and prospectus.
- (G) The Appropriated Retained Earnings reserved according to the preceding paragraph shall be used to compensate appropriately or recover or dispose the assets, or the leasing contract has been terminated with the losses due to price reduction, which was purchased or leased at high price, or the same may be used for the purpose with proven reasonableness after being approved by the Financial Supervisory Commission (hereinafter called FSC).
- (H) In case of other proofs indicating any unusual circumstances occurred to the acquisition of real estate or right-of-use assets thereof from the related party, the same shall be handled according to the sixth and seventh sub-paragraph hereof.
- IV. With respect to the acquisition or disposal of business-use machinery and equipment between the Corporation and its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital shall be submitted by the Finance & Facility Services Division to the Board for review and approval prior the conduction thereof. In case of the impossibilities of prior review and approval thereby due to time, the acquisition or disposal business-use machinery and equipment by the Corporation with the value under NTD 10,000,000, shall be determined by the authorized President (if the President sub-delegates the authorization, the sub-delegation shall apply thereto); where the amount is under NTD 500,000,000, the same shall be determined by the authorized Chairman of the Board (if the Chairman sub-delegates the authorization, the sub-delegation shall apply thereto); however, such transaction shall be confirmed by the Board immediately after the completion thereof. While the amount is over NTD 500,000,000, the same shall be determined by the Board prior to the execution.
- (A) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
  - (B) Acquisition or disposal of real property right-of-use assets held for business use.
- V. With respect to the regulations of 10 percent of total assets, the calculation is based

	upon total assets stated in the most recent parent Corporation only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
Article 9	<p>Handling Procedures on Acquisition and Disposal of intangible assets or right-of-use assets thereof or memberships</p> <p>I. Evaluation and Operation Process</p> <p>(A) The acquisition or disposal of membership shall make reference to the fair market value, proposed conditions for transaction and the dealing price and subsequent an analysis report shall be made. Where the amount thereof is less than NTD3000,000, the same shall be submitted to the General Manager for review and approval and be reviewed by and filed with the board meeting. In case the amount is over 3,000,000, the board meeting shall approve the same.</p> <p>(B) The acquisition or disposal of intangible assets or right-of-use assets thereof, except computer software which shall refer to the equipment's authorization of article 7, the others shall make reference to the evaluation report rendered by the professional appraiser, fair market value, proposed conditions for transaction and the dealing price and subsequent an analysis report shall be made and submitted to the board meeting for approval.</p> <p>II Evaluation Report</p> <p>(A) This company shall obtain evaluation Report prepared by professional appraisals prior to acquisition and disposal of intangible assets or right-of-use assets thereof or memberships.</p> <p>(B) If and whenever the acquisition and disposal of intangible assets or right-of-use assets thereof or memberships by this company has the following circumstances, or the amount thereof has reached 20% of the paid-in capital of the company or NTD 0.3 billion, except in transaction with domestic government agency, the accountant shall be invited to give opinions on the reasonableness of the dealing price prior to the date of occurrence of the event.</p> <p>(C) In case the assets acquired or disposed by this company through the auction procedures held by a court, the certificates issued by the court may substitute the evaluation report or the opinion of an accountant.</p> <p>III Unit in charge of execution</p> <p>The acquisition and disposal intangible assets or right-of-use assets thereof or memberships by this company shall, in accordance with the first subparagraph, be submitted by the Finance &amp; Facility Services Division for review and approval prior to the conduction thereof.</p>
Article 9-1	<p>The calculation of the transaction amounts referred to in the preceding articles besides Article 8, paragraph 2 shall be done in accordance with Article 12, paragraph 1-7 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.</p> <p>The calculation of the transaction amounts referred to in the Paragraph 2, Article 8, shall be done in accordance with Article 12, paragraph 1-7 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items which have been first approved by the shareholders' meeting or Audit Committee, and then by the Board of Directors need not be counted for toward the transaction amount.</p>
Article 10	<p>Handling Procedures for Acquisition and Disposal of Derivative Products</p> <p>I Principles and Guidelines for transaction</p> <p>(A) Type of transaction</p>



- (a) The derivative products of this Corporation may deal in refers to the items specified in Article 3.1 hereof.
- (b) The so-called “for the purpose of transaction” shall mean for the purpose of activities of business transactions whereby the holding and issuing of derivative products is aimed at making profit from variance in prices of dealings, including measuring and identifying the current losses and gains in terms of fair price, whereas the so-called “not for the purpose of transaction” shall mean for the purpose of activities other than stated herein above.
- (B) Strategies for operation or hedging
  - (a) For the purpose of transactions: adopting flexible strategies in operation
  - (b) Not for the purpose of transactions: adopting prudent and conservative strategies in operation
- (C) Rights and duties
  - (a) Signing of contracts and relevant documents for dealings: The chairman or the person designated thereof shall sign the aforesaid documents for and on behalf of this Corporation.
  - (b) Execution of the transaction and the evaluation of losses and gains:
    - (i) The Legal & Procurement Division– Procurement shall be responsible for the products relating to the materials whereas the Finance & Facility Services Division – Treasury & Credit Management responsible for matters relating to finance.
    - (ii) Opening account, transaction, confirmation, split: The supervisor of each relevant department shall be responsible for authorization thereof.
    - (iii) The certificate for transaction, request of payment and deposit of income shall be made by the operator and the supervisor at all levels shall take charge the review thereof. Meanwhile, the same shall be submitted to the Finance & Facility Services Division - Accounting and Treasury & Credit Management.
    - (iv) The assistant director from each relevant department shall conduct the evaluation of losses and gains and the statement thereof shall be submitted to the Chairman or a person designated by the Chairman.
  - (c) Accounting: The Accounting Division shall be responsible for reconciling various certificates to the book by making vouchers and preparing relevant statement according to the accounting periods.
  - (d) Audit: The Audit Division shall be responsible for internal auditing conducted on a periodical and non-periodical basis.
  - (e) Legal affairs: The personnel above the level of legal professional shall be responsible for the review of the contract for dealings.
  - (f) Unless otherwise stipulated, the transactions of derivative products shall be executed by the personnel above the level of specialist.
- (D) Evaluation of performance
 

The evaluation of performance shall be based on the net value of loss and gain at the end of the year.
- (E) Total amount of contract and authorization
  - (a) For the purpose of transactions: The total amount of contract for each individual object at any time shall not exceed 10% of the net amount of this Corporation in the previous year. Where the amount thereof is less than 5%, the same may be determined by supervisors in each relevant department and shall be reviewed by and filed with the board meeting after transaction. In case the amount is over 5% the same shall be approved by the board meeting.
  - (b) Not for the purpose of transaction: The activities with the amount under the value of assets or liabilities held or to be transacted may be determined by

supervisors in each relevant department and shall be reviewed by and filed with the board meeting after transaction.

- (F) The upper limit of losses
  - (a) For the purpose of transaction: The upper limit of losses of individual contract is less than 5% of that contract amount. The upper limit of losses of all the contracts is less than 5% of aggregate amount of all contracts.
  - (b) Not for the purpose of transactions: The upper limit of losses of individual contract is less than 25% of that contract notional amount. The upper limit of losses of all the contracts is less than 25% of total notional amount of all contracts.

## II. Measures for risk management

- (A) Credit risk of the dealing counterpart: the counterpart shall be a financial institution with good credit rating.
- (B) The market risk of price reversion: see the subparagraph 1.6 of this article.
- (C) Risk of market liquidity: any commodity shall be quoted to at least two financial institutions before transaction thereof.
- (D) Risk of cash flows: The fair market price of the financial derivatives shall be disclosed on a periodical basis so as to properly indicate the prospective cash flows thereof.
- (E) The risk of internal operation: see the subparagraph 1.3 of this article.
- (F) Legal risks involved in signing contracts and relevant documents: The Legal & Procurement Division-Legal shall provide necessary legal opinion thereof.
- (G) The operator for dealing in derivative products shall not engaged in confirmation or split, etc. concurrently.
- (H) The personnel for measuring, supervising and controlling of risks shall be in the different department from those described herein above and shall report to the board meeting or the senior director not in charge of transactions or positions.
- (I) The positions held by a derivatives exchange shall be assessed at least once a week except that the hedge transactions needed in the business operation shall be evaluated at least twice a month. The evaluation reports thereof shall be submitted to Chairman or a person designated by the Chairman.

## III. Internal audit

The internal auditor of the Corporation shall make out the appropriateness of internal control on the derivative products on a periodical basis and the audit department shall make an audit report on the compliance of The Procedures each month. In case of any major violations, the same shall be notified in writing to Audit Committee.

## IV. Ways of periodical evaluation and handling of abnormal conditions

- (A) The Chairman or a person designated by the Chairman shall see to supervision and control of risks involved in the transactions of derivative products at any time.
- (B) The Chairman or a person designated by the Chairman shall designate persons especially in charge of periodical of whether the performance of transactions of derivative products is in compliance with the strategies for operation and whether the risks involved are bearable for the Corporation.
- (C) The Chairman or a person designated by the Chairman shall conduct periodical evaluation of whether the measures on risk management is appropriate and dealt with according to handling procedures prescribed herein and shall supervise the transaction and the losses and gains. In case of any abnormal circumstances, the supervisor shall take necessary corresponding measures and report immediately to the board meeting. And the same shall attend the board meeting and be entitled to express its opinions.
- (D) The Corporation shall, when dealing in derivative products, establish a reference

	<p>book, in which the type, amount of the transaction of derivative products, date of approval by board meeting, matters to be evaluated prudently in accordance with the ninth subparagraph of the second paragraph and the second and third subparagraph of this paragraph, shall be specified in detail.</p>
<p>Article 11</p>	<p>Handling Procedures for Merger, Division, Acquisition or Stock transfer</p> <p>I. Evaluation and Operation Process</p> <p>(A) The accounts, attorneys or underwriters shall be invited, before the decision of the board meeting by Finance &amp; Facility Services Division give their opinions on reasonableness of swap rate, price of purchase or cash distributed to the shareholders or other properties prior to the merger, division, acquisition or stock transfer by this company. The said opinions shall be submitted to the board meeting for discussion and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary of the Corporation in which the Corporation holds directly or indirectly 100% of the issued shares or authorized capital, and in the case of a merger between the subsidiaries in which the Corporation holds directly or indirectly 100% of the respective subsidiaries' issued shares or authorized capital.</p> <p>(B) The public companies engaged in merger, division or acquisition shall, prior to the shareholders meeting, make written document of important and related matters thereof and deliver the same together with opinions of the aforesaid professionals and the notices of meeting to shareholders for the latter's reference in determining whether approval will be given thereof except where the law stipulates that no decision of shareholders meeting is needed therein.</p> <p>(C) In case of the failure of any company participating in merger, division or acquisition to hold the shareholders meeting due to the inadequacy in attendance, number of votes or other restrictions imposed by laws or that the proposal thereof has been declined thereby, the company concerned shall announce the reasons thereof in public and follow-up measures and estimated date for shareholders meeting.</p> <p>II. Matters needing attention</p> <p>(A) Unless otherwise required by laws or due to special conditions which render necessary prior approval of FSC, the company participating in merger, division or acquisition shall hold the board meeting and shareholders meeting on the same day to determine matters relating thereto. Unless otherwise required by laws or due to special conditions, which render necessary prior approval of FSC, the company participating in transfer of stock shall hold the board meeting on the same day. When participating in a merger, de-merger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:</p> <p>(a) 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, de-merger, acquisition, or transfer of another company's shares prior to disclosure of the information.</p> <p>(b) 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.</p> <p>(c) Important documents and minutes: Including merger, de-merger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>When participating in a merger, de-merger, acquisition, or transfer of another</p>

company's shares, the Company shall, within two days commencing immediately 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) "Basic identification data for personnel" and "Dates of material events" to the FSC for recordation.

Where any of the companies participating in a merger, de-merger, 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 and comply with regulations prescribed.

- (B) Prior commitment of confidentiality: All the persons participating in or informed of the programs of merger, division, acquisition or transfer of stock shall make commitment of confidentiality in writing and shall not disclose it to the outside or buy or sell in his or her own name or have others buy or sell on his or her behalf stocks or securities in the nature of stock equity of all the company relating thereto.
- (C) Conclusion of swap proportion or the price of purchase: In case of merger, division, acquisition or transfer of stock by this company, the swap proportion or purchase price shall not be modified and the conditions for modifications thereof shall be specified in the contract thereof unless the following provisions apply thereto.
- (a) Handling capital increase in cash, issuing convertible corporate debentures, gratuitous rationed shares, corporate debentures with share warrant, preferred stock with share warrant, share warrant and other marketable securities in the nature of stock equity.
  - (b) Behaviors affecting the financial status of the company such as disposal of major assets, etc.
  - (c) Circumstances affecting the rights and interests of the shareholders or price of securities such as major calamities, significant innovation in technology, etc.
  - (d) Adjustment of buyback of treasury stock in accordance with laws by any one party participating in merger, division, acquisition or stock transfer.
  - (e) Alteration, addition or reduction of the subjects participating in merger, division, acquisition or stock transfer or of the number thereof.
  - (f) The conditions for modification have been specified in the contract and disclosed to the outside.
- (D) Necessary items in the contract: The contract for merger, division, acquisition or stock transfer shall be in compliance with Article 317.1 of Company Act and Article 22 of Law on Merger and Acquisition of Enterprises with the following matters specified therein:
- (a) Settlement of breach.
  - (b) Principles on the handling of treasury stock bought back or the marketable securities in the nature of stock equity issued by the company merged or divided.
  - (c) The number and handling of treasury stock bought back in accordance with laws by any participating company after calculation of the benchmark of swap proportion.
  - (d) Methods for handling alteration, addition or reduction of the participating subjects or the number thereof.
  - (e) Schedule of the program and estimated date of completion.
  - (f) Relating handling procedures on scheduled date of shareholders meeting in case of delay in the completion of the program.
- (E) Any company participated in merger, division, acquisition or transfer of stock may be exempted from decision of shareholders meeting in case the same intends to be involved in merger, division, acquisition or transfer of stock with another company after the disclosure of information of the former actions unless the participants have

	<p>been decreased and the board meeting has been authorized by shareholders meeting to make appropriate changes whereas the procedures or legal acts completed in the formal actions should be redone by all the participants.</p> <p>(F) This company shall form an agreement with the company participated in merger, division, acquisition or stock transfer who is not a public company in accordance with the first, second, fifth subparagraph of this paragraph hereof.</p>
<p>Chapter III Public Disclosure of Information</p>	
<p>Article 12</p>	<p>Procedures for Disclosure of Information</p> <p>I. Items for public announcement and declaration and its standard</p> <p>(A) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.</p> <p>(B) Merger, division, acquisition or stock transfer</p> <p>(C) The loss incurred in the dealing of derivatives reach the upper limit of losses of all or individual contracts specified in Subparagraph 5 of Paragraph 1 of Article 10.</p> <p>(D) The assets acquired or disposed are equipment for business use or right-of-use assets thereof and the counter part of the transaction are not associated persons and amount thereof is over NTD 1 billion.</p> <p>(E) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.</p> <p>(F) The amount of transactions other than those stated in the preceding five subparagraphs or an investment in the mainland China reach 20% of paid-in capital of this company or NTD0.3 billion. The following circumstances shall be excluded therein.</p> <p>(a) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</p> <p>(b) Transactions of debentures with conditions for redemption and selling off, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.</p> <p>(G) The calculations for the dealing amount in the preceding six subparagraph</p> <p>(a) Amount of each transaction.</p> <p>(b) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>(c) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>(d) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(H) "Within the preceding year" as used in the preceding paragraph refers to the year</p>

	<p>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.</p> <p>II. Time for public announcement and declaration In case of any circumstances specified in Subparagraph 1 to 6 of Paragraph 1, the same shall be handled for public announcement and declaration within two (2) days commencing immediately from the date of the event.</p> <p>III. Procedures for public announcement and declaration (A) This company shall handle public announcement and declaration of relating information in the website designated by the FSC. (B) This company shall, within first ten (10) days in each month, input the information about the dealings in derivatives as of the end of last month by this company and the subsidiaries, which are not affiliated to domestic public companies, into the website designated by the FSC. (C) In case of any mistakes or omissions of necessary items therein, appropriate corrections shall be made and the entire items shall be re-announced publicly and re-declared. (D) This company shall, within two (2) days commencing immediately from the date of the events, handle public announcement and declaration of relating information in the website designated by FSC after the transaction announced and declared as required. (a) Termination or cancellation of, alteration to relevant contracts to the original transactions. (b) Failure to complete merger, division, acquisition or stock transfer in accordance with contracts. (c) Change to the originally publicly announced and reported information.</p> <p>IV. Format of Public Announcements The necessary items and contents of public announcement which the Company shall comply with are referred to the appendixes of “Regulations Governing the Acquisition or Disposition of Assets by Public Companies”.</p>
Article 13	<p>Deposit and preservation of material relating to acquisition or disposal of assets The contracts, memorandum, reference books, evaluation reports, opinions rendered by accountants, attorneys or underwriters relating to the acquisition or disposal of assets by this company shall be deposited with this company and preserved for at least five (5) years unless otherwise required by other laws.</p>
Article 14	<p>The following provisions apply to the subsidiary of the Corporation:</p> <p>I. The subsidiaries shall, in accordance with Guidelines for Handling Acquisition and Disposal of Assets of Public Companies, establish and execute the Procedures of Acquisition or disposal of Assets, which shall be approved by the board meeting and shareholders meeting and subsequently reviewed by and deposited with the Finance &amp; Facility Services Division of the Corporation. The same procedures shall apply to the amendments thereto.</p> <p>II. The limit of amount for individual purchase of real estate for non-business use or right-of-use assets thereof or securities or investment in each individual security by the subsidiaries, shall be determined in the board meeting.</p> <p>III. In case of acquisition or disposal of assets by the subsidiary, which is not domestic public Corporation, reach the standard stipulated in Guidelines for Handling Acquisition and Disposal of Assets of Public Companies, the same shall be handled by the Corporation for public announcement or declaration.</p> <p>IV. The paid-in capital or total assets of the Corporation shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement.</p>

	V. Each subsidiary of the Corporation shall examine and check whether its procedure related to the acquisition or disposition of assets is in compliance with the “Regulations Governing the Acquisition or Disposition of Assets by Public Companies”. The Corporation’s auditor shall examine and check report made by each subsidiary of the Corporation.
Article 15	Penalties In case of any major damages or serious acts on the part of the employees in this company who have violated relevant regulations on acquisition and disposal of assets, the employees concerned shall be punished by this company in accordance with relevant regulations on human affairs or the rules on reward and punishment of employees.
Article 16	The amendments of the Procedures shall, to be first approved by the Audit Committee, and then Board of Directors, and then submitted to Shareholders’ Meeting for approval. In case of any descent raised by any director, made in written form or been recorded, the same descanting information shall be delivered to the Audit Committee. When a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.
Article 17	Others Any matters unspecified herein shall be handled in accordance with relevant laws, decrees and other regulations of this company.

## Appendix 1

### Necessary items in the evaluation report

- I Necessary items specified in the technical rules on the evaluation of real estate
- II Relating matters to professional appraising institution and appraiser
  - (A) Name, capital amount, organizational structure and personnel structure of the professional appraising institution
  - (B) Name, age, educational background (with certificates) of the appraisers and their working years and period in evaluation, number of cases of evaluation handled.
  - (C) Relationship between professional appraising institution and appraiser and the principal
  - (D) Declaration of “no falsehood and concealment in items specified in the evaluation report”
  - (E) Date of render of the evaluation report
- III Profiles of the object evaluated, at least including name, nature, location and area of the object
- IV Instances of the comparison between the dealings of real estate in the region where the object is located.
- V Conditions for limited or specific prices, whether the aforesaid conditions are met, reasons for or of difference from normal price, whether the prices may be adopted as a references (if the evaluation adopts limited or specific prices)
- VI Reasonable proportions for a joint construction agreement
- VII Evaluation of Land Appreciation Tax
- VIII In case of variance of over 20% between the evaluations of different evaluator at the same date, whether the same has been dealt with according to Article 41 of Decree on Real Estate Evaluator.
- IX The thereto including details of evaluation, registration material, cadastral plan, sketch map of urban planning, location map of the object, zoning certificate, photos of the objects at status quo.