



Taiwan Mobile Co., Ltd.

Rules and Procedures for Acquisition or Disposal of Assets
(the “Procedures”)

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Chapter I General Principles

Article 1 The Procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act and “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

Article 2 The Company shall handle the acquisition or disposal of assets in compliance with the Procedures; provided, where another law or regulation provides otherwise, such provisions shall govern.

Article 3 The term "assets" as used in the Procedures includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real estate (including land, houses and buildings, investment property, and rights to use land)

and equipment.

3. Membership.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Derivatives.
6. Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or transfer of shares in accordance with law.
7. Other major assets.

Article 4 Terms used in the Procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed of through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of

consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

Chapter II Disposition Procedures

Section I Establishment of Disposition Procedures

Article 6 The Procedures for the acquisition and disposal of assets shall be adopted after approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution. After the Procedures have been approved by the board of directors, they shall be submitted to a shareholders' meeting for approval; the same applies when the Procedures are amended. If any director expresses dissent which is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.

The Company has created the position(s) of independent director(s) in accordance with the provisions of the Securities and Exchange Act. When the procedures for the acquisition and disposal of assets are 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. The minutes shall contain the dissenting opinions or reservations made by the independent directors, if any.

If the approval of more than half of all audit committee members as required in the first paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

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

Article 7 The following items shall be specified in the Procedures:

1. The scope of assets: refer to Article 3 of the Procedures.
2. Appraisal procedures:
 - (1) Acquisition or disposal of securities:
 - (i) Appraisal: the financial and accounting departments shall evaluate the reasonableness of the transaction with consideration of the book value per share, profitability, future development potential and market price.
 - (ii) Price decision methods:
 - A. The securities transacted on a centralized exchange market or OTC market, the prices shall be decided by the listed price or market price at the time of transaction.
 - B. The securities not transacted on a centralized exchange market or OTC market, the price decision shall refer to financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant.
 - C. The bonds not transacted on a centralized exchange market or OTC market, the price decision shall refer to the market interest rate, coupon rate of the bond and bond issuer's credit.

(2) Acquisition or disposal of real estate and equipment:

(i) Appraisal: the application department shall issue a report to relevant departments to evaluate the necessity and reasonableness.

(ii) Price decision methods:

A. In the event that the Company acquires or disposes of the real estate, the price decision shall refer to publicly announced current value, appraisal value, the actual transaction price of neighboring real estate, or appraisal report issued by a professional appraiser.

B. The acquisition or disposal of equipment shall be carried out by one of the following methods: price comparison, price negotiation, or bidding.

(3) Acquisition or disposal of membership and intangible assets:

(i) Appraisal: the application department shall issue a report to relevant departments to review the necessity and reasonableness.

(ii) Price decision methods: the price decision shall refer to the market price at the time of transaction and the net present value for the potential return of the assets.

(4) Related party transactions: refer to Section 3 of the Procedures.

(5) Engaging in derivatives trading: refer to Section 4 of the Procedures.

(6) Mergers, spin-offs, acquisitions and transfer of shares: refer to Section 5 of the Procedures

3. Operating procedures:

(1) The amount and levels of authority delegated: Any acquisition and disposal of assets by the Company shall be resolved by the board of directors except for the following circumstances:

(i) The Company may delegate the chairman to decide such matters when a single transaction does not exceed NT\$1,000,000,000 (one billion), subject to ratifications at the next board meeting. The above does not apply to any long-term securities investment in excess of NT\$ 300,000,000.

(ii) The Company may delegate the chairman to decide such matters when the purpose of acquisition or disposal is for short-term fund allocation (including but not limited to the transaction of short-term securities, bonds under repurchase and resale agreements, bond

fund, money market fund, principal guaranteed structured deposit).

(iii) The stipulation of amount and levels of authority delegated for the derivatives trading shall be effective after approved by the board of directors.

(2) Implementation department:

(i) Investment of securities in long-term and short-term: financial and accounting departments.

(ii) Real estate, equipment, membership and intangible assets: the departments which use and manage these assets.

(iii) Derivatives: financial and accounting departments.

(iv) Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: project team.

4. Public announcement and regulatory filing procedures: refer to Chapter III of the Procedures.

5. Total investment amounts of the Company and each subsidiary

(1) Except for investment management companies, the total amounts of real estate and equipment acquired by the Company or each subsidiary for non-business use shall not exceed 30% of the total assets of the Company or each subsidiary at the time of purchase.

(2) Except for investment management companies, the total amounts of securities investment purchased by the Company or each subsidiary shall not exceed 100% of the total assets of the Company or each subsidiary at the time of purchase.

(3) Except for investment management companies, the total amounts of individual securities purchased by the Company or each subsidiary shall not exceed its book value at the time of purchase.

6. The Company shall supervise the acquisition or disposal implemented by the subsidiaries. The supervision and management shall comply with the Company's related regulations or each subsidiary's "Rules and Procedures for Acquisition or Disposal of Assets".

7. In the event that the related person who fails to comply with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or the Procedures, the Company shall resolve the matter in accordance with internal operating regulations.

The subsidiaries of the Company shall adopt and implement procedures for the acquisition or disposal of assets in compliance with the Procedures.

Article 8 With respect to the Company's Rules and Procedures for Acquisition or Disposal of Assets that is subject to the approval of the board of directors or other laws or regulations, if a director expresses dissent which is contained in the minutes or a written statement, the Company shall, subject to mutatis mutandis application of paragraph 2 of Article 6, submit the director's dissenting opinion to the Audit Committee.

Any transaction involving major assets or derivative trading shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of paragraphs 3 and 4 of Article 6.

Section II Acquisition or Disposal of Assets

Article 9 In acquiring or disposing of real estate or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. In the event that due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedures shall apply to any future changes in the terms and conditions of the transaction.
2. In the event that the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Any one of the following circumstances applies with respect to the professional appraisers' appraisal results, unless all the appraisal results for the assets to be acquired are higher than the

transaction amount, or the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the foundation constituted as a juristic person in Taiwan -- Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:

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

Article 10 The Company, acquiring or disposing of securities, shall, prior to the date of the occurrence of the event, obtain financial statements of the target companies for the most recent period, certified or reviewed by a certified public accountant, for reference in evaluating the transaction price, and if the amount of the transaction is 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company shall additionally engage a certified public accountant (CPA) prior to the date of the occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of a financial advisor as a reference, the CPA shall do so in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly traded securities that have an active market, or where otherwise provided by regulations of the competent securities authority.

Article 11 Where the Company acquires or disposes of membership or intangible assets and the transaction amount reaches 20% or more of the paid-in capital or NT\$300,000,000 or more, except in transactions with a government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 11-1 The transaction amounts referred to in the preceding three articles shall be calculated in accordance with paragraph 2 of Article 30 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts due to professional appraisers for the appraisal report and CPA for the CPA's opinions can be excluded from the calculation.

Article 12 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or the CPA opinion.

Section III Related Party Transactions

Article 13 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions be adopted and the reasonableness of the transaction terms be evaluated according to the provisions of the preceding Section and this Section, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 11-1 herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities,

the substance of the relationships shall also be considered.

Article 14 When the Company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose of assets other than real estate from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, except in the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution:

1. The purpose, necessity and estimated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real estate from a related party, information regarding evaluation of the reasonableness of the pre-determined transaction terms in accordance with Articles 15 and 16.
4. The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other major terms associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in

accordance with paragraph 2 of Article 30 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts approved by the board of directors and ratified by the Audit Committee can be excluded from the calculation.

With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to subparagraph 3, paragraph 1 of Article 7, delegate the chairman to decide such matters when the transaction is less than NT\$1,000,000,000 (one billion) and have the decisions subsequently ratified at the next board of directors meeting.

Article 15 The Company that acquires real estate from a related party shall evaluate the reasonableness of the transaction costs by the following means:

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

Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Company that acquires real estate from a related party and appraises the cost of the real estate in accordance with paragraphs 1 and 2 shall also engage a CPA to check the appraisal

and render a specific opinion.

Where the Company acquires real estate from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 14 and the preceding three paragraphs do not apply:

1. The related party acquired the real estate through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real estate to the signing date for the current transaction.
3. The real estate is acquired through the signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on leased land.

Article 16 When the results of the Company's appraisal conducted in accordance with paragraphs 1 and 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a CPA, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area

and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

(3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

2. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate.

Article 17 Where the Company acquires real estate from a related party and the results of appraisals conducted in accordance with Articles 15 and 16 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the

share of public company's equity stake in the other company.

2. The Audit Committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission (FSC) has given its consent.

When the Company obtains real estate from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Section IV Engaging in Derivatives Trading

Article 18 The Company engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into the Procedures:

1. Trading principles and strategies:
 - (1) Types of derivatives that may be traded: the Company may engage any derivatives as defined in paragraph 1, Article 4 of the Procedures.
 - (2) Operating or hedging strategies: according to the purpose of acquisition or issuance, the derivatives trading may be categorized as derivatives for hedge purpose and derivatives for transaction purpose.

The Company's derivatives trading shall be mainly used for hedge purpose. Transaction counterparty shall be the financial institution with the business relationship with the

Company to avoid the credit risk.

(3) Segregation of duties:

(i) Accounting department: shall be responsible for creating the journal of the transaction, confirming the transaction report, generating accounting documents/vouchers and finalizing the accounting statements.

(ii) Financial department: the financial department shall:

A. acknowledge the market information, determine the trend and risks, clearly understand the derivatives, the related laws and regulations, and provide sufficient and prompt information to relevant departments.

B. evaluate the total amount of the Company's foreign exchange transactions and other hedge requirements, avoid potential risks according to the Company's policy, and fasten the costs and profits. The financial department shall control every derivatives transaction and assess the loss and profit which has not been realized subject to the market price.

C. calculate the cash flow in compliance with the credit line offered by the bank to assist financial personnel to make the settlement.

D. be responsible for drafting or modifying the relevant procedures of derivatives transactions, summarizing and managing the transaction records periodically reported by the Company and subsidiaries to make monthly public announcement.

(iii) Audit department: shall make periodical and non-periodical inspection pursuant to internal audit regulations.

(4) Essentials of performance evaluation: the accounting department shall evaluate the net balance, provide the report of foreign exchange transaction to the competent supervisors as the reference of management and performance assessment periodically to adjust and improve the hedge policy.

(5) Total amount of derivatives contracts that may be traded:

(i) Total amount of hedge product transactions: shall be limited to the maximum amount of estimated assets or debts that the Company may acquire or generate now and within

following six months. If the hedge product transactions exceed the maximum amount, it shall submit to the board of directors for approval.

- (ii) Total amount of transaction products: the Company shall not engage the trade of transaction products unless approved by the board of directors.
- (6) Maximum loss limit on total trading and for individual contracts: Except the hedge product transactions, the maximum amount of transaction risk in an individual contract shall not exceed US\$ 100,000, the maximum loss amount and stop loss limit of the whole transactions/contracts shall not exceed US\$ 1,000,000 or other currency in equivalent amount. Any alternation of the content in this article shall be approved by the board of directors.
- 2. Risk management measures: pursuant to Article 19 of the Procedures.
- 3. Internal audit system: pursuant to paragraph 2, Article 21 of the Procedures.
- 4. Regular evaluation methods and the handling of irregular circumstances: pursuant to the relevant articles of the Procedures.

Article 19 The Company engaging in derivatives trading shall adopt the following risk management measures:

- 1. Risk management scope:
 - (1) Consideration of credit risk: the counterparty of derivatives trading shall be the bank which has a business relationship with the Company or a prominent international financial institution which may provide professional information.
 - (2) Consideration of market price risk: the Company shall control the market price risks arising from the fluctuations of interest rate, exchange rate or other reasons from time to time.
 - (3) Consideration of liquidity risk: the counterparty of derivatives trading shall be capable of sufficient equipment, information and ability to execute trading in any market.
 - (4) Consideration of cash flow risk: the Company shall maintain sufficient quick assets

and credit facilities to meet the cash settlement requirement.

- (5) Consideration of operating risk: the Company shall illustrate the delegated amount and operating procedure to avoid operation risk.
 - (6) Consideration of legal risks: all of the documents signed by the Company with the counterparty shall be reviewed by internal legal personnel or legal counsel to avoid legal risks.
2. The respective functions of trading, confirmation and settlement should be performed by different personnel.
 3. Risk measurement, monitoring, control personnel and the personnel mentioned in the preceding subparagraph shall be assigned to different departments and shall report to the board of directors or senior management personnel with no responsibility for trading or making decision on position.
 4. Derivatives trading positions held for transaction purpose shall be evaluated at least once per week; however, hedge purpose positions for meeting operational requirement shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors and submitted to the board of directors for reference quarterly.

Article 20 Where the Company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:

1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.

Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the Procedures for engaging in derivatives trading formulated by the Company.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, due measures shall be adopted and reported immediately to the board of directors and independent director(s) shall be present at the board meeting and express opinions.

The Company shall report to the earliest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with the Procedures for engaging in derivatives trading.

Article 21 The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 19 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of Article 20 shall be recorded in detail in the log book.

The Company's internal audit personnel shall periodically examine the appropriateness of internal controls over derivatives trading and conduct a monthly audit of the compliance of derivatives trading by the trading department with the procedures, and prepare an audit report. In the event of any material violations, the Audit Committee shall be notified in writing.

Section V Mergers, Spin-offs, Acquisitions, and Transfer of Shares

Article 22 The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the

board of directors for deliberation and passage.

Article 23 In the event that the Company participating in a merger, spin-off, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.

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

Article 24 A company participating in a merger, spin-off, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, spin-off, or acquisition, unless another act provides otherwise or the competent securities authority is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the competent securities authority is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, spin-off, acquisition, or transfer of shares where shares are listed on an exchange or traded on an OTC market, a full written record of the following information shall be kept for 5 years for reference:

1. 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, spin-off, acquisition, or transfer of another company's shares prior to disclosure of the information.

2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, spin-off, acquisition, and transfer of shares plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, spin-off, acquisition, or transfer of shares where shares are listed on an exchange or traded on an OTC market, within 2 days 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) the information set out in subparagraphs 1 and 2 of the preceding paragraph shall be sent to the Financial Supervisory Commission (FSC) for review.

Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares where shares are neither listed on an exchange nor traded on an OTC market, the Company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.

Article 25 Every person participating in or privy to the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, spin-off, acquisition, or transfer of shares.

Article 26 The Company participating in a merger, spin-off, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed

circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:

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

Article 27 The contract for participation by the Company in a merger, spin-off, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, spin-off, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds

the deadline without completion, and relevant procedures.

Article 28 After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or transfer of shares intends further to carry out a merger, spin-off, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, spin-off, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 29 Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Articles 24, 25, and 28.

Chapter III Public Disclosure of Information

Article 30 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, or 10% or more of the Company's total assets, or NT\$300,000,000 or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
2. Merger, spin-off, acquisition, or transfer of shares.

3. Losses from derivatives trading reaching the limits of aggregate losses or losses on individual contract set out in the procedures adopted by the Company.
4. Any asset transactions other than those referred to in the preceding three subparagraphs, or an investment in the mainland China area with amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:
 - (1) Trading of government bonds.
 - (2) Securities trading by investment management companies on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.
 - (3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
 - (4) Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500,000,000.
 - (5) Engaging others to build on the Company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sale, with estimated amount of investment by the Company less than NT\$500,000,000.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the

date of occurrence of the transaction. Items duly announced in accordance with the Procedures need not be re-announced.

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

If the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

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

Article 31 Where any of the following circumstances occurs with respect to a transaction that the Company has already announced publicly and reported in accordance with the preceding article, a public announcement of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

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

Chapter IV Additional Provisions

Article 32 Information required to be publicly announced and reported in accordance with the provisions of Chapter III on acquisitions and disposals of assets by a subsidiary of the Company that is not

itself a public company in Taiwan shall be reported by the Company.

Where the subsidiaries of the Company are required to make public announcements due to reaching 20% of the paid-in capital or 10% of total assets, in accordance with paragraph 1 of Article 30, the Company's paid-in capital and total assets shall be applied as the bases.

Article 32-1 The Company has established the Audit Committee in accordance with the provisions of the Securities and Exchange Act, the provisions set out in subparagraph 2, paragraph 1 of Article 17 shall apply mutatis mutandis to the independent directors of the Audit Committee.

Article 32-2 For the calculation of 10% of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

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

Article 33 The Procedures shall be effective from the date approved by the shareholders' meeting.