

# **United Microelectronics Corporation**

## **Acquisition or Disposal of Assets Procedure**

### **Section I Acquisition or Disposal of Assets**

#### **Article 1:** Basis:

This Procedure for acquisition or disposal of assets (“Procedure”) is made pursuant to Article 36-1 of the Securities and Exchange Act (“the Act”) and the “Criteria for Handling Acquisition or Disposal of Assets by Public Companies” (“Regulation”)

#### **Article 2:** “Assets” mentioned in this Procedure is defined as the follows:

- 1) Investments such as stocks, treasury, corporate bonds, deposit receipts, warrant, securities representing interest in a fund, and asset-back securities.
- 2) Real estate (including inventory of construction enterprises) and other fixed assets.
- 3) Membership certificate.
- 4) Patent, copyright, trademark, and other intangible assets.
- 5) Derivative products.
- 6) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares.
- 7) Other important assets

#### **Article 3:** Definition of terms used in this Procedure:

- 1) Derivative products: refer to future, option, commodity, leverage, swap for the values derived from assets, interest rate, exchange rate, index, or other benefits or any complex of the aforesaid financial products. The meaning of future does not include insurance contract, performance contract, after-service contract, long-term lease agreement and long-term purchase (sale) agreement.
- 2) Assets acquired or disposed of through merger, spin-off, acquisition, and transfer of shares: refer to assets thereby acquired or disposed of according to Enterprise Merger and Acquisition law, Financial Holding Company Law, Financial Institution Acquisition Law other laws or acquire shares by issuing new shares of the Company in accordance with the 6<sup>th</sup> paragraph of Article 156 of the Company (for the purpose of this Procedure, the transfer of shares).
- 3) Related party: is defined according to No. 6 of the General Accepted Accounting Principles issued by the ROC Accounting Research Institution Regulation.
- 4) Subsidiary: is defined according to No. 5 and No.7 of the General Accepted Accounting Principles issued by the ROC Accounting Research Institution Regulation.
- 5) Professional appraiser: refers to real estate appraiser or other professionals who are legally approved to assess the value of real estate and other fixed assets.
- 6) Date of event: refers to earliest of the signing date, payment date, record date, and board resolution date and other date when the parties and amounts of transaction can be

determined. If it is subject to approval of the governing authority, the date of event refers to the earliest of the aforementioned date or the approval date.

- 7) China investment: is referred to the investment in China approved by the Investment Committee of Ministry of Economic Affairs.

**Article 4:** The Company shall follow its “Financial Derivatives Transaction Procedure” in conducting such transactions. Risk management and internal auditing shall be thoroughly implemented.

**Article 5:** Operating procedure for the acquisition and disposal of assets:

- 1) In order to cope with the needs such as the expansion of operations and improvement of service quality, the acquisition and disposal of such assets as mentioned in the previous article shall, within the Company's approved budget, be carried out in accordance with the process and procedure of the Company for procurements and assets acquisition.
- 2) If the Company acquires or disposes of assets such as marketable securities or real estate for the purpose of expanding business or for other investment purposes, it is necessary to first receive the approval of the Chairman of the Board before the related departments carry out the transaction, and then, upon completion of the transaction, be reported to Board Meeting. However, the transaction for purchasing security has to be pre-approved by Audit Committee and Board Meeting, if either the transaction amount surpasses NT\$ 200 million or 1% of cash and cash equivalent from latest financial statements, or the accumulated purchasing transaction amount for single security surpasses NT\$ 300 million within two years.
- 3) The acquisition or disposal of membership certificates and intangible assets shall be reported to the Chairman by the finance department. Upon the approval of Chairman, the transaction shall be carried out by relevant department and reported to the Board Meeting.
- 4) Assets acquired or disposed through merger, spin-off, acquisition or transfer of shares shall be carried out in accordance with section III of the Procedure.

The acquisition or disposal of assets, in addition to complying with the above-mentioned procedures, shall follow the Company's internal control regulations.

Based on the Procedure or other regulations, when the Company's acquisition or disposal of assets shall be proposed to the Board Meeting, opinions from independent directors shall be thoroughly considered and any positive or negative opinions and objecting reason shall be recorded in the minutes of the board of directors meeting.

**Article 6:** Evaluating procedure for the acquisition and disposal of assets:

- 1) Marketable securities:

When the Company acquires or disposes of marketable securities, the target company's recent audited financial reports shall be procured as the reference of evaluation of the transaction price, and the transaction price will be determined as follows:

- A. In acquiring or disposing of securities which are not traded on any stock exchange or

over-the-counter, its net worth per share, profitability, potential of future growth, market rates, interest rates of bonds, credit ratings and its current market price shall be evaluated.

- B. When the securities acquired or disposed of through stock exchange or over-the-counter, the then current stock or bond prices shall be used as the basis for determining the price.

A public company acquiring or disposing of securities shall first 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 to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Executive Yuan's Financial Supervisory Commission ("FSC"), including

- A. Acquisition of start-up companies' securities through capital injection
- B. Acquisition of securities from companies proceeding new share issuance through capital injection at par value
- C. Acquisition of securities from 100% owned investee companies proceeding new share issuance through capital injection
- D. Securities traded in Stock Exchange, OTC or other public offering markets
- E. Treasury or repos and reverser repos
- F. Domestic/Foreign Funds
- G. Acquisition or disposal of listed companies' securities through TSE and OTC's auction or bid regulations
- H. Acquisition of new share issuance through capital injection from public offering companies, and the new shares acquired are not privatized.
- I. 依證券投資信託及顧問法第十一條第一項及金管會九十三年十一月一日金管證四字第0九三000五二四九號令規定於基金成立前申購基金者。
- J. Acquisition or disposal of domestic private funds, whose trust deeds state that their investment strategy is the same as public funds' except for 證券信用交易及所持未沖銷證券相關商品部位

2) Real estate or other fixed assets:

When the Company acquires or disposes of real estate or other fixed assets, except for dealing with government, contract to construction on land owed by the Company or land leased from other party, equipment for business operation acquired or disposed of, with the transaction amount exceeding either twenty percent of Company's paid-in capital or NT\$300,000,000, an appraisal report shall first be obtained, and the transaction shall be

conducted in accordance with the following:

- A. In case for special reasons the predetermined price, specific prices or special price shall be the reference for transaction price, such transaction shall be approved by Board Meeting. And any change in transaction terms is also subjected to above-mentioned procedure.
  - B. Two or more appraisal reports are required for transaction the amount of which exceeds NT\$1,000,000,000.
  - C. If the appraisal report meets any of the following criteria, the certified public accountant's fairness opinion on the difference and the reasonableness of price shall be obtained and the Company shall consult with certified public accountant to take measures in accordance with No.20 of the General Accepted Accounting Principles of the ROC Accounting Research Institute Regulation.
    - a. The difference between the appraisal report and transaction price exceeds 20%.
    - b. The appraisal report of more than two appraisers differ by more than 10% of transaction price.
  - D. If the price evaluation is conducted before the contract is concluded, the date when the appraisal report is produced and when the contract is concluded shall not lapse more than three month.
- 3) Membership certificates or intangible assets:  
Relevant information shall be collected for pricing comparison or negotiation in acquiring or disposing membership certificates. In acquiring or disposing of intangible assets, relevant price information shall be collected, and relevant regulations and contract content carefully evaluated before the transaction price is determined.  
When the Company acquires or disposes of membership certificate or intangible assets with the transaction price exceeds either twenty percent of Company's paid-in capital or NT\$300,000,000, the Company shall consult with a certified public accountant and the public accountant shall take measures in accordance with No.20 of the General Accepted Accounting Principles of the ROC Accounting Research Institute Regulation.
- 4) Assets acquired or disposed of through merger, spin-off, acquisition, or transfer of shares shall be carried out in accordance with Section III of the Procedure.
  - 5) Acquisition or disposal of assets other than the assets mentioned above shall be effected through price inquiry, price comparison, price negotiation, or public bidding, and reference shall be made to the public announcement of present value, price of real estate in the neighborhood.

**Article 7:** When the Company acquires or disposes of assets through court auction, the document produced by the court shall be used in place of appraisal report or certified public accountant's fairness opinion.

**Article 8:** When the Company obtains reports from appraiser, certified public accountant, lawyer,

securities underwriter, such appraiser, certified public accountant, lawyer, or securities underwriter shall not be the related party of the transaction.

**Article 9:** When the Company acquires or disposes of assets, the related information must be disclosed and reported to Market Observation Post System website designated by the FSC within 2 days from the date of event, if the following situation occurs:

- 1) Acquiring real estate from related party.
- 2) Investing in China.
- 3) Merger, spin-off, acquisition or transfer of shares.
- 4) The transaction losses derived from derivatives reaches the upper limit set forth in the Financial Derivatives Transaction Procedure for all or any individual contract.
- 5) Any transaction the amount of which reaches 20% of the paid-in capital or NT\$ 300,000,000 other than the transaction mentioned in the preceding four section except the followings:
  - A. Buying or selling treasury.
  - B. Buying or selling marketable securities in domestic or foreign stock exchange or over-the-counter when the Company's scope of business is investment.
  - C. Buying or selling bonds that contain call-option or put-option.
  - D. Acquiring or disposing of equipment which is for operation purpose, and the counter party to which is not related party, and the transaction amount of which does not exceed NT\$500,000,000.
  - E. Acquiring the fixed assets through self-construction, cooperative construction for the distribution of houses, cooperative construction for the distribution of shares, cooperative construction for sale and the transaction amount not exceeding NT\$ 500,000,000.

The transaction amount is calculated according to the following formulas:

- 1) Transaction amount of each transaction.
- 2) The accumulated amount of transactions with the same party in one year for similar objects.
- 3) The accumulated amount of transactions in one year of the acquisition or disposal (acquisition and disposal calculated separately) of real estate for the same development plan.
- 4) The accumulated amount of transactions in one year of the acquisition or disposal of the same negotiable securities.

The one-year period mentioned in the second section shall be calculated as one year before the occurrence of event of transaction. The part already disclosed according to the Procedure shall not be calculated.

In case the items to be disclosed is erroneous or omitted and shall be rectified, all the items shall be disclosed and reported again.

The relevant contracts, meeting minutes, register, appraisal report, opinion of the certified public accountant, lawyers, or underwriters shall be kept in the Company for at least 5 years unless otherwise specified by other laws.

**Article 10:** After the disclosure of transaction according to Article 9, if any of the following event occurs, the relevant information shall be disclosed and reported to FSC's Market Observation Post System website within 2 days of the event:

- 1) There is a change, termination or cancellation to the original contract.
- 2) The merger, separation, acquisition or transfer of shares is not completed as scheduled in the contract.

**Article 11:** The Company's controlling procedure on its subsidiary's procedure of acquiring or disposing of assets

- 1) The Company shall urge its subsidiary to make the procedure on acquiring or disposing of assets according to the Procedure.
- 2) If the subsidiary is not a public listed company, the Company will proceed with the disclosure and report if the subsidiary satisfies the criteria of Article 9.
- 3) The "when the 20% of the Company's paid-in capital" in the disclosure and report criteria shall be measured by the Company's paid-in capital.

**Article 12:** If the acquisition or disposal of assets meets the criteria of disclosure and report of Article 9 of the Procedure, and the opposing party is a material related party, the content of disclosure shall be disclosed in the footnote of the financial report and reported to the meeting of shareholders.

**Article 13:** The restrictions of total amount and individual amount for the Company's and its Subsidiary's transactions in real estate for non-operational purposes, marketable securities, and investments in a single marketable security are as follows:

- 1) The purchase of real estate for non-operational purpose shall not exceed 30% of the Company's paid-in capital.
- 2) The total amount of investment of the Company as another company's shareholder with limited liability shall not exceed 100% of the shareholder's equity in the Company's latest quarter's financial report. For subsidiary companies specialized in investment, the limit is 150%.
- 3) The total amount of investment in marketable securities after the deduction of the balance of item 2 above must not exceed 30% of the total assets of the Company in its latest quarter's financial report.
- 4) The investment in a single marketable security shall not exceed 80% of the total assets as listed in the latest quarter's financial report, except for the subsidiaries that are holding companies.

## **Section II Acquisition of Assets from Related Party**

**Article 14:** When the Company acquires assets through purchase or exchange from related parties, rules in the preceding and this paragraph shall be followed to proceed with the relevant resolution and evaluate the reasonableness of the transaction terms.

In determining whether the opposing party is a related party, in addition to the legal form, the material relationship shall be considered.

**Article 15:** When the Company acquires assets from related parties, the following information shall be approved by Audit Committee and the board of directors before the acquisition shall be effected.

- 1) The purpose, necessity, and projected benefit from acquiring the assets.
- 2) The reason for choosing related party as the counter party.
- 3) Relevant information in evaluating the reasonableness of the transaction terms in accordance with Article 16 and 17 of the Procedure,
- 4) Date, transaction price, and counter party, and its relation with the Company and related party.
- 5) The projection of the cash flow of each month in the following after the month of entering into contract, and an evaluation of the necessity and reasonableness of the capital use.
- 6) Restricting conditions and other important terms and conditions.

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 and any positive or negative opinions and objecting reason shall be recorded in the minutes of the board of directors meeting.

**Article 16:** When the Company acquires fixed assets from related parties, the reasonableness of transaction cost should be evaluated in accordance with the following methods:

- 1) The transaction cost with the related party plus the necessary capital interest and the cost to be borne by the buyer required by law. The cost of necessary capital interest shall be calculated using weighted average interest rates of the Company's annual loan for the purchase of assets, but shall not be higher than the highest borrowing rate disclosed by Ministry of Finance for non-financial industry.
- 2) If the related party has created mortgage on the object to obtain loan from financial institutions, the total evaluated amount of the object by the financial institutions shall be used on the condition that the loan granted has exceeded 70% of the evaluated amount and the period of loan has exceeded one year with the exception that the financial institution and the contracting party are related parties.
- 3) The transaction cost with the related party plus the necessary capital interest and the cost to be borne by the buyer required by law. The cost of necessary capital interest shall be calculated using weighted average interest rates of the Company's annual loan for the purchase of assets, but shall not be higher than the highest borrowing rate disclosed by

Ministry of Finance for non-financial industry.

- 4) If the related party has created mortgage on the object to obtain loan from financial institutions, the total evaluated amount of the object by the financial institutions shall be used on the condition that the loan granted has exceeded 70% of the evaluated amount and the period of loan has exceeded one year with the exception that the financial institution and the contracting party are related parties.

When the land and house of the same object are bought together, the transaction cost of the land and house may be separately assessed accordingly.

When the Company acquires real estate from related parties, in addition to the assessment of the cost of the real estate according to section 1 and section 2, the Company shall consult the public accountant for his concrete opinion.

In any of the following event, the acquisition of real estate from related parties shall be carried out according to Article 15 of the Procedure, the preceding three section shall not apply.

- 1) The related party acquired the real estate due to succession or gift.
- 2) The lapse between the date of acquisition of real estate and the date of the transaction has been more than five years,
- 3) The acquisition of real estate is based on the cooperative construction contract with the related parties.

**Article 17:** If the outcome evaluation according to the section 1 and 2 of the preceding article is lower than the transaction price, the Article 18 shall apply with the exception of the following circumstances which is accompanied with objective evidence and concrete opinions of the appraiser and public accountant.

- 1) The related party who acquires bare land or rent a land for reconstruction may provide evidence to prove the conformity of one of the followings.
  - A) The total amount of the bare land assessed according to the method of the preceding article and the house assessed by adding reasonable profit to the construction cost exceeds the actual transaction price.
  - B) The transaction terms is fair and reasonable comparing to other transactions of other floors of the same object or in the neighborhood conducted by non related parties within one year taking into account the reasonable price difference in the light of real estate sale transaction customs.
  - C) The transaction terms is fair and reasonable comparing to other transactions of other floors of the same object conducted by non related parties within one year taking into account the reasonable price difference in the light of real estate transaction rent customs.

The Company provides evidence to prove that the real estate acquired from related parties has the transaction terms which are fair and reasonable comparing to other transactions in the neighborhood.

**Article 18:** If the outcome of evaluation of the real estate acquired from the related parties is lower than the transaction price, the following measures shall be taken.

- 1) The special reserve shall be appropriated according to the Section 1 of Article 41 of the Securities Exchange Law for the price difference between the transaction price and the assessment and shall not be distributed or used for capital increase.
- 2) The independent director members of Audit Committee shall take measures according to the Article 218 of the Company Law and Item 4, Article 14-4 of the Security and Exchange Act.
- 3) The measures taken according to section 1 and section 2 shall be reported to the meeting of shareholders and the detailed content of the transaction shall be disclosed in the annual report and prospectus.

The special reserve appropriated shall be used only when the loss of price fall of the assets bought at high price has been acknowledged, the assets disposed, original state restored, or there exist any other evidence to ensure the reasonableness and when the FSC has approved it.

If there exists evidence showing that the transaction of the Company to acquire real estate from related parties is not conformity with the business practice, the preceding two sections shall govern.

### **Section III: Merger, Spin-off, Acquisition and Transfer of Shares**

**Article 19:** In effecting the merger, spin-off, acquisition and transfer of shares, before the meeting of board of directors, the public accountants, lawyers, or underwriters shall be consulted with to express opinion on the ratio of exchange of shares, acquisition price and other matters and then presented to the board of directors for discussion and approval.

**Article 20:** The documents to the shareholders containing important matters on the merger, spin-off, acquisition and transfer of shares shall be delivered to the shareholders along with the opinions of the expert mentioned in the preceding article for the shareholders' reference. But if the shareholders' meeting may not be convened, the preceding rules shall not apply.

If the shareholders' meeting of any company involved in the merger, spin-off, acquisition and transfer of shares can not be convened, can not reach a resolution, or objects a proposal, the Company and other company shall explain to the public the reasons for such, the following procedure, and the scheduled date to convene shareholders' meeting.

**Article 21:** The meeting of board of directors of the Company and other company involved in the merger, spin-off, acquisition shall be held in the same day unless otherwise specified by other laws or approved by the FSC.

The meeting of board of directors of the Company and other company involved in the transfer of shares shall be held in the same day unless otherwise specified by other laws or approved by the FSC.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a

company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five 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, demerger, 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, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(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 22:** The Company and any other involved in or aware of the merger, spin-off, acquisition and transfer of shares shall produce a written commitment of confidentiality not to disclose the relevant information and purchase or sell the stocks or other marketable securities of the company related to the merger, spin-off, acquisition and transfer of shares.

**Article 23:** The ratio of share exchange or purchase price of the Company's merger, spin-off, acquisition and transfer of shares shall not be changed except in the following circumstances, and the condition of change shall be stipulated in the contract.

- 1) Capital increase in the form of cash, issuance of convertible corporate bonds, distribution of shares for no consideration, issuance of convertible corporate bonds with the right to subscribe shares, issuance of special shares with option and other marketable securities.
- 2) Acts which affect the financial status of the company such as the disposal of company's important assets.
- 3) Events such as catastrophe, significant transformation of technology or other circumstances where the shareholders' equity and price of the securities are affected.
- 4) Any company involved in the merger, spin-off, acquisition and transfer of shares buys its own stocks.
- 5) The number of companies involved in the merger, spin-off, acquisition and transfer of shares

changes.

6) Other conditions of change stipulated in the contract and disclosed to the public.

**Article 24:** The rights and obligations of the companies involved in the merger, spin-off, acquisition and transfer of shares and the following matters shall be contained in the contract.

- 1) Measures to be taken for breach of contract.
- 2) Governing principle for the shares bought by its own company.
- 3) The number of shares to be bought by its own company and governing principles after the record date for the calculation of the ratio of exchange of shares.
- 4) Measures to be taken in case of change of numbers of the subject.
- 5) The schedule of implementation and scheduled date of completion.
- 6) The scheduled date of shareholders' meeting in case the plan is not completed as scheduled.

**Article 25:** If the Company and any other company involved in the merger, spin-off, acquisition and transfer of shares intends to involve in the merger, spin-off, acquisition and transfer of shares with other company after the relevant information has been disclosed, all the procedures completed shall be undergone once again except when the number of participating companies reduces or the board of directors has been authorized to make amendment.

**Article 26:** If any company involved in the merger, spin-off, acquisition and transfer of shares is not a public listed company, the Company shall sign an agreement with it and proceed according to the Article 21,22 and 25 of the Procedure.

#### **Section IV: Miscellaneous**

**Article 27:** Any employee who violates the Procedure or the Regulation is subjected to the Company's Code of Conduct Regulation.

**Article 28:** This procedure shall be passed by Audit Committee and the board of directors, and presented to the shareholder's meeting for its approval. Any amendment is subject to the same procedure. The board of directors shall take into full consideration each independent director's opinions and any positive or negative opinions and objecting reason shall be recorded in the minutes of the board of directors meeting. If any member of board of directors objects to it with a record or written declaration, the Company shall present it to the meeting of shareholders for discussion.