Content

Title：	BUSINESS MERGERS AND ACQUISITIONS ACT Ch
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Content：

CHAPTER I GENERAL PROVISIONS

Article 1
The Business Mergers and Acquisitions Act (the Act) is enacted to facilitate merger /consolidation and acquisition by a business for purposes of reorganization and optimal operation efficiency, and the protection of shareholders' rights.

Article 2
Any merger/consolidation and acquisition by a company shall be done pursuant to this Act; if not so provided, the Company Act, the Securities and Exchange Act, the Fair Trading Act, the Labor Standards Act, the Statute For Investment By Foreign Nationals and other applicable laws and regulations shall govern.
Any merger/consolidation and acquisition by a financial institution shall be done pursuant to the Financial Institutions Merger Act and the Financial Holding Company Act; if not expressly provided in the said two Acts, this Act shall govern.

Article 3
The "Competent Authority" as used in this Act denotes the Ministry of Economic Affairs (MOEA). If any provisions set forth in this Act involve the business of the authority in charge of the relevant end-enterprise, the Competent Authority of this Act shall process things and matters hereunder jointly with that relevant authority.

Article 4
Interpretation In this Act :
1. Company means a company limited by shares incorporated under the Company Act.
2. Merger and acquisition include merger, consolidation, acquisition, and division of a company.
3. Consolidation and merger refer to an act wherein any and all companies involved pursuant to this Act or any other applicable law are dissolved, and a new company is incorporated (consolidation) to
generally assume all rights and obligations of the dissolved companies; or by any company surviving the merger from all the companies involved (merger), with shares of the surviving or newly incorporated company or any other company, cash or other assets as the consideration.
4. Acquisition means any company acquiring shares, business or assets of another company in exchange for shares, cash or other assets under this Act, the Company Act, the Securities and Exchange Act, The Financial Institutions Merger Act or the Financial Holding Company Act.
5. Share exchange means that a company transfers all its issued shares to another company in exchange for shares, cash or other assets in that company as the consideration for shareholders of the transferring company.
6. Division refers to an act wherein a company transfers all its independently operated business or any part of it under this Act or other applicable law to a surviving or a newly incorporated company as the consideration for that surviving company or newly incorporated company to give shares, cash or other assets to that company or shareholders of that company.
7. "Parent and subsidiary company" means－any company, directly or indirectly holding the majority of the total number of the issued voting shares or the total amount of the capital stock of another company, shall be the parent company; the other company with its shares held by the parent company shall be the subsidiary company.
8. Foreign Company means a company, for the purpose of profit-making, organized and

incorporated in accordance with the law of a foreign county.

Article 5
In the merger/consolidation and acquisition by a company, the Board of Directors shall, in the course of conducting the merger/consolidation or acquisition, in the best interest of the company, fulfill its duty of care.
Any director involved in decision-making for a merger/ consolidation or acquisition shall be liable for any damage to the company as a result of breach of applicable laws, ordinances, Articles of Incorporation or the resolution of the general meeting in dealing with the merge/consolidation and acquisition; provided, however, that upon producing sufficient evidence of minutes or written statement concerning disagreement, the director may be exempted from the liability.
In the merger/consolidation and acquisition by a company, a director who has a personal interest in the transaction of merger/consolidation and acquisition shall explain to the Board meeting and the general meeting the essential contents of such personal interest and the cause of approval or dissent to the resolution of merger/consolidation or acquisition.
Under the circumstances of the preceding paragraph, the company shall itemize the essential contents of a director's personal interest and the cause of approval or dissent to the resolution of merger/consolidation or acquisition in the notice to convene a meeting of shareholders; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and the address of such website shall be indicated in the above notice.

Article 6
Before any resolution of merger/consolidation and acquisition by the Board of Directors, a company that has its share certificates publicly issued shall form a special committee to review the fairness and reasonableness of the plan and transaction of the merger/consolidation or acquisition, and then to report the review results to the Board of Directors and if the resolution by the general meeting is required, to the general meeting.
The functions of the preceding paragraph will, for a company establishing an audit committee in accordance with the Securities and Exchange Act, be exercised by the audit committee. The audit committee shall review matters in accordance with relevant provisions related to the resolution of an audit committee under Securities and Exchange Act.
When a special committee or audit committee reviews matters, it shall seek opinions from an independent expert on the justification of the share exchange ratio or distribution of cash or other assets.
The regulations on the composition, eligibility and review methods of a special committee as well as the eligibility, independence identification, appointing methods and other related matters of an independent expert, shall be prescribed by the competent securities authority.

Article 7
A company that has its share certificates publicly issued shall send the following documents of the merger/consolidation and acquisition to shareholders pursuant to this Act; if the company announced the same content as in those documents on a website designated by the competent securities authority and those documents are prepared in the company and at the venue of the general meeting by a company, those documents shall be deemed as having been sent to shareholders:
1. The required particulars, review results of special committees or audit committees and opinions of independent experts in the merger/consolidation agreement, share exchange agreement, or division plan, which all shall be attached to shareholders' meeting notice under Articles 22(3), 31(7),
and 38(2).
2. The required particulars, review results of special committees or audit committees and opinions of independent experts in the merger/consolidation agreement, share exchange agreement, or division plan, which all shall be attached to shareholders' notice after a resolution adopted by the Board of Directors under Articles 19(2), 30(2), or 37(3).
If a resolution of the merger/consolidation and acquisition adopted by the Board of Directors under Articles 18(7), 19(1), 29(6), 30(1), 36(1), 36(2), and 37(1) is excluded from a resolution by the general meeting and deemed to be unnecessary to make notification to shareholders, the Board of Directors shall submit reports for matters of the merger/consolidation and acquisition at the next closest general meeting.

Article 8
In case of any of the following events, the company may not be required to reserve new shares to be

issued for subscription by its employees, to notify then existing shareholders for subscription, to appropriate a certain ratio for public offering, and not subject to Articles 267(1) through 267(3) of the Company Act and Article 28-1 of the Securities and Exchange Act:
1. The surviving company issued new shares for a merger reason, or parent companies issued new shares for the merger between subsidiary companies and other companies.
2. All new shares are issued for being acquired;
3. All new shares are issued for the acquisition of issued shares, business, or assets of other companies;
4. New share are issued for the share exchange
5. New shares are issued for division of a company by the succeeding company.
Any new shares issued hereunder may be paid up in cash or assets required in the business of the company, and such issuance is exempted from Article 272 of the Company Act.

Article 9
Any reorganization plan proposed under Article 304 of the Company Act may expressly provide that
the credits of the creditors on the company shall be applied to pay up calls required by new shares issued by the company acquired by the creditors, and this may be exercised after seeking the approval from the meeting of interested parties held under Article 305 of the Company Act and the ruling of approval by the court, without being subject to Articles 270, 272 and 296 of the Company Act.

Article 10
In the merger/consolidation and acquisition by a company, the shareholders may decide ways and related matters on joint exercise of voting rights by written agreement among themselves.
In the merger/consolidation and acquisition by a company, the shareholders may transfer their shares to a trust company or a financial institution operating trust business to put their voting rights in trust and the trustee shall exercise such voting rights as specified in a written trust deed.
To operate against the company by putting their voting rights in trust, the shareholders shall deliver to the company no later than 30 days prior to the meeting date of a regular shareholders' meeting or 15 days prior to the meeting date of a special shareholders' meeting the written trust agreement, list of the names, titles, residence (domicile) of shareholders, the total number, class and quantity of shares with their voting rights transferred in trust.
Under the circumstances of the preceding paragraph, a shareholder shall deliver to the public company no later than 60 days prior to the meeting date of a regular shareholders' meeting, or 30 days prior to the meeting date of a special shareholders' meeting.

Article 11
In the merger/consolidation and acquisition by a company, the written agreement among shareholders, the company and shareholders, may reasonably regulate the following issues:
1.The company, other shareholders or a designated third party shall have the priority to purchase the
shares transferred by the shareholder;
2.The company, other shareholder or a designated third party may have the priority to subscribe for shares held by other shareholder;
3.The shareholder may request other shareholders to jointly transfer their shares;
4.Any transfer of shares or offering shares as a security in pledge to a given person by a shareholder shall seek the approval from the Board of Directors or the general meeting;
5.The transferee or pledgee of shares;
6.Restraining shares from being transferred or offered as a security in pledge within a specific period of time.
The company not having its share certificates publicly issued may stipulate the aforesaid issues.
The so-called reasonable restrictions referred to in Paragraph 1 of this Article shall comply with the following principles:
1.Such restrictions are prescribed for the compliance with the Securities and Exchange Act, the tax law or any other applicable laws and ordnances;
2.Such restrictions are prescribed due to the character of a shareholder, business competition or operation development.
In issuing new shares owing to the merger/consolidation and acquisition by a company that has its share certificates publicly issued, and thus subject to restrictions of transfer or pledge of shares as provided in Paragraph 1, such restrictions shall be explicitly entered into the prospectus as specified in the Securities and Exchange Act or in the document to be delivered to the investors as specified by the competent securities authority.

As provided in Article 163 of the Company Act, that transfer of shares of a company shall not be prohibited or restricted by any provision in the Articles of Incorporation, is not applicable to Paragraphs 1 and 2 hereof.
The sum of the purchased quantity of shares by a company pursuant to Items 1 and 2 of Paragraph 1
and that of e redeemed and purchased shares under other laws and ordinances shall not be greater than twenty percent of the total shares issued by that company and the total amount of redemption and buying back shall not be greater than the sum of retained earnings plus realized capital surplus.

Article 12
If any of the following events occurs in the course of the merger/consolidation and acquisitions by a company, the shareholder may request the company to buy back her shares at the then fair price:
1.If a company attempts to amend its Articles of Incorporation to prescribe restrictions on transfer or
pledge of shares, the shareholder has expressed her objection, in writing or verbally with a record before or during the meeting, and voted against or waived her voting right;
2.In case of any merger/consolidation proceeded under Article 18 of this Act by a company, the shareholder of the surviving or dissolved company has expressed her objection, in writing or verbally with a record before or during the meeting, and voted against or waived her voting right, provided, however, that in the merger/consolidation proceeded under Article 18(7) of this Act, only the shareholder of the dissolved company may express such objection;
3.In case of any short-form merger/consolidation proceeded under Article 19 by a company, the shareholder of the subsidiary company has expressed her objection in writing within a term specified in the notice and public announcement made under Article 19(2) of this Act by the Board of Directors of the subsidiary company that resolves the merger/consolidation;
4.In case of an acquisition proceeded under Article 27 of this Act by a company, the shareholder has
expressed her objection, in writing or verbally with a record before or during the meeting, and voted against or waived her voting right;
5.In case of share exchange proceeded under Article 29 by a company, the shareholder of the transferor company and of the surviving transferee company has expressed her objection, in writing or verbally with a record before or during the meeting, and voted against or waived her voting right. But in case of a share exchange proceeded under Article 29(6) by a company, only the shareholder of the transferor company can express her objection;
6.In case of a share exchange proceeded under Article 30 by a company, the shareholder of the subsidiary company has expressed her objection in writing within a term specified in the notice and public announcement made under Article 30(2) of this Act by the Board of Directors of the subsidiary company that resolves the share exchange;
7.In case of a division proceeded under Article 35 by a company, the shareholder of the company being divided or of the surviving transferee company has expressed her objection, in writing or verbally with a record before or during the meeting, and voted against or waived her voting right;
8.In case of any short-form division proceeded under Article 37 by a company, the shareholder of the subsidiary company has expressed her objection in writing within a term specified in the notice and public announcement made under Article 37(3) of this Act by the Board of Directors of the subsidiary company that resolves the short-form division.
Shares for which voting right has be waived in the preceding Paragraph shall not be counted in the number of votes of shareholders present at the meeting.
The shareholder filing a request under Paragraph 1 shall make it in writing within 20 days since the resolution of the general meeting was made, specify the price for buying back, and deposit certificates of her shares; in case of the resolution of merger /consolidation or acquisition made by the Board of Directors under this Act, it shall be made in writing within a term specified under Article 19(2), Article 30(2) or Article 37(3) of this Act, with the requested price for buying back specified and certificates of her shares deposited.
When the shareholder deposited her shares, the company shall mandate an institution that is permitted by law to handle shareholder services. The shareholder shall deposit her shares to that institution and the institution shall issue the certificate specifying the type and amount of shares to the shareholder; if the shareholder deposited her shares by book-entry transfer, she shall follow the procedure under the rules or regulations for centralized securities depository enterprises.
The request of a shareholder as provided in Paragraph 1 shall lose its effect when the company calls off its acts.
If the company and shareholder reach an agreement about the price of buying back, the company shall pay for the shares within 90 days since the resolution of the general meeting or the board meeting was made. In case no agreement is reached, the company shall pay the fair price it has

recognized to the dissenting shareholder who asks for a higher price within 90 days since the resolution of the general meeting was made. If the company did not pay, the company shall be considered to be agreeable to the price requested by the shareholder as provided in Paragraph 3.
In case no agreement is reached within 60 days since the resolution of the general meeting or the board meeting was made, the company shall apply to the court for a ruling on the fair price against all the dissenting shareholders as the opposing party within 30 days after that duration. If the company did not apply against the dissenting shareholders as the opposing party, or the application was voluntarily dismissed by the company or dismissed by the court, the company shall be considered to be agreeable to the price requested by the shareholder as provided in Paragraph 3.
But
if the opposing party has already expressed her opinions or the ruling has already been served upon the opposing party, the rescission by the company shall be effective if agreed by the opposing party.
When the company applies to the court for a price ruling, the company shall annex the specification of the auditing and attestation of financial statements by certified public accountants of the company and the assessment about the fair price, and present to the court written copies or photocopies of the
specification based on the number of people of the opposing party, which are to be served upon the opposing party by the court.
Before making the ruling on the price, the court shall let the applicant and the opposing parties have the chance to express their opinions. In case the opposing party includes two people or more, The provisions set out in Articles 41 to 44, as well as Paragraph 2 of Article 401 of Taiwan Code of Civil
Procedure shall apply mutatis mutandis.
When the ruling made under the preceding paragraph is appealed against, before making the ruling on the appeal, the court shall let the applicant and the opposing party have the chance to express their opinions.
When the price ruling becomes final and binding, the company shall, within 30 days of the ruling becoming final and binding, pay for the shares with that price deducted from the part already paid plus the legal interest accruing from the date next to the expiration of the 90-day period after the resolution was made.
The provisions set out in Article 171 as well as Paragraph 1, 2, and 4 of Article 182 of the Non-litigation Act shall apply mutatis mutandis.
The company shall bear the expenses of the application procedure and the compensation for the inspector.

Article 13
A company purchasing shares under Article 12 shall proceed as follows:
1. Any shares purchased from shareholders of the dissolved company shall be surrendered together with other shares issued by that dissolved company to file an application for registration of cancellation;
2. Shares purchased other than the preceding item shall be:
(1) transferred to shareholders of the dissolved company or any other company according to a merger/consolidation agreement, share exchange agreement, division plan or any other contract;
(2) made an alteration of the entries of the corporate registration;
(3) sold at a fair market price within three years from the date of redemption or buying back. If the shares so redeemed or bought back remain unsold after expiry of the foregoing time limit, such shares shall be deemed as the shares which have never been issued by the company; under such circumstance, the company shall apply for an alteration of the entries of the then existing corporate registration in respect of such shares accordingly.
No shares redeemed or bought back under this Act shall be produced as pledge and shall not be entitled with the shareholder right before such shares have been sold or cancelled.

Article 14
In case the Board of Directors is unable to exercise its power and authority in the merger/consolidation and acquisition by a company, a temporary manager may be elected upon a resolution adopted by a majority of the shareholders present at the general meeting, who represent two-thirds or more of the total number of the issued shares. The scope and term of power and authority to be exercised by the temporary manager shall also be specified for the temporary manager to exercise the power and authority of the Chairman of the Board and the Board of Directors under the Company Act in the event that the Board of Directors is unable to exercise its power and authority.
For a company whose share certificates have been publicly issued, if the total number of shares represented by shareholders at the general meeting is short of the quorum, the temporary manager

may be elected by two-thirds of the votes of the shareholders present at the general meeting who present a majority of the total number of issued shares.
An application for registration shall be filed within fifteen days after a temporary manager is on board; the removal of the temporary manager, together with new directors and supervisors, shall be filed within fifteen days after the election of directors and supervisors takes place.

Article 15
In the course of a merger/consolidation by a company, any sum of the pension reserves appropriated
by the dissolved company remaining after paying pension and, if the dissolved company decides as such, making severance pay to the labor not retained and any labor declining the continued employment shall be totally transferred from the designated account of the labor pension reserves monitor commission of the company to that of the newly incorporated or surviving company.
In the transfer of the entire business or any part of it by a company as a result of the acquisition of assets or division, the transferor company or the divided company, upon having paid pension to the labor not retained and then made the severance pay to any labor declining the continued employment(if the company decides as such), shall make the pro rata transfer of the remaining sum of the pension reserves appropriated for the labors who are transferred together with the business or
the assets and applicable for the period of service of the pension system under Labor Standards Act to the designated account of the labor pension reserves monitor commission of the transferee company.
Before the transferor company or the divided company appropriates the labor pension reserves proportionate to that required under the preceding paragraph, the labor pension reserves shall reach the amount specified as the minimum in filing the application for a suspension of appropriation under the applicable labor laws and ordinances; provided, however, that in case the labors are applicable for the period of service of the pension system under Labor Standards Act and already totally transferred to the transferee company, the remaining sum of the pension reserves shall be transferred to the designated account of the labor pension reserves monitor commission of the transferee company.

Article 16
Any surviving company, newly incorporated company or transferee company shall, no later than thirty days before the reference date of the merger/consolidation and acquisition, serve a written notice expressly describing labor conditions to any labor staying after the merger/consolidation and acquisition according to the negotiation between the existing and the new employers. Any labor within ten days upon receiving the notice shall notify her decision of whether to accept the conditions in writing to the new employer. The absence of such notice from the labor shall be deemed as consent to stay with the new company after the merger/consolidation and acquisition.
The period of service the labor accepting the continued employment has covered at the dissolved company, transferor company or divided company before the merger/consolidation and acquisition shall be recognized by the surviving company, newly incorporated company or the transferee company after the merger/consolidation and acquisition.

Article 17
In case of the merger/consolidation and acquisition by a company,, the prior employer company shall terminate the labor contract with any labor not retained or declining the continued employment; the labor shall be entitled with a prior notice of termination of employment or paid a wage payable during that prior notice in accordance with Article 16 of the Labor Standards Act, and be duly paid the pension or made severance pay as the law prescribes.
The case of any labor declining the continued employment comprises that any labor having accepted the continued employment later refuses to stay with the company before the reference date
of the merger/consolidation and acquisition by a company.

CHAPTER II MERGER, ACQUISITION AND DIVISION

Section One Merger/Consolidation

Article 18
A resolution for the merger/consolidation or dissolution of a company shall be adopted by a majority vote at the general meeting attended by shareholders representing two-thirds or more of the

total number of the issued shares of the company.
For a company that has its share certificates publicly issued, if the total number of shares represented by shareholders present at the general meeting is short of the quorum provided in the preceding paragraph, the resolution may be adopted by two-thirds or more of the votes of the shareholders present at the general meeting who represent a majority of the total number of issued shares.
In case a listed or OTC company participates in the merger/consolidation and is dissolved thereafter while the surviving or newly incorporated company is not a listed or OTC company, the resolution of the general meeting under the preceding two paragraphs shall be adopted by two-thirds or more of the votes of the shareholders who represent the total number of issued shares of the listed or OTC
company.
Where higher criteria for the total number of shares represented by the shareholders present at the general meeting and the total number of votes required to adopt a resolution thereat are specified in the Articles of Incorporation, such higher criteria shall prevail.
In case any special shares are issued by the company, the merger/consolidation shall be separately resolved by the holders of those special shares with the exceptions that a resolution by the general meeting is not required under this Act or that a resolution by the meeting of special shareholders is not required as expressly provided in the Articles of Incorporation. All the provisions set forth in the preceding four paragraphs shall apply mutatis mutandis to the resolution of the meeting of special shareholders.
Any company holding the shares of another company participating in the merger/consolidation, or the company or its assigned representative is elected as a director of another company participating in the merger/consolidation, then the company or its assigned representative may exercise voting rights in the resolution of the merger/consolidation by such another company.
In case the number of shares issued as a result of the merger/consolidation will not exceed more than twenty percent of the total number of issued voting shares of the surviving company immediately before the merger/consolidation, or that the total amount of shares, cash or other the total value of the assets delivered to the shareholders of the dissolved company will not exceed more than twenty percent of the net value of the surviving company, a resolution for the merger/consolidation agreement shall be adopted by a majority vote of the directors present at the Board meeting attended by directors representing two-thirds or more of the directors of the surviving company. However, in case that the assets of the dissolved company may not be insufficient to offset its liabilities, or that the surviving company needs to amend its Articles of Incorporation, Paragraphs 1-4 of this Article relating to the resolution of the general meeting still govern.

Article 19
In case that a parent company merge/consolidate with its subsidiary company whose ninety percent or more of the total number of the issued shares is held by the parent company or that subsidiary companies of a parent company merge/consolidate with one another whose ninety percent or more of the total number of the issued shares is held by their parent company respectively, the merger/consolidation agreement may be concluded upon a resolution to be adopted separately at the
Board meeting of each company by a majority vote of the directors present at the meeting attended by directors representing two-thirds or more of the directors of the respective companies.
After adoption of the resolution by the Board of Directors of subsidiary companies under the preceding paragraph, the details of the resolution and entries required to appear in the merger/consolidation agreement shall be published within ten days. A notice shall be served to each of their shareholders and state that any shareholder who has an objection against that resolution may submit a written objection requesting the subsidiary companies to buy back, at the then prevailing price, the shares of the subsidiary companies she holds. In the case of a company that has its share certificates publicly issued, it shall deliver review results of special committees or audit committees and opinions of independent experts in the merger/consolidation agreement to its shareholders.
The given time referred to in the preceding paragraph shall not be shorter than thirty days.
Where ninety percent or more of the total capital of a subsidiary company is held by its parent company, all the provisions set forth in the preceding three paragraphs shall apply mutatis mutandis when the parent company merges with the said subsidiary company.

Article 20
In the case of a merger/consolidation between two companies limited by shares or between a company limited by shares and a limited company, the surviving or the newly incorporate company under the merger/consolidation project shall be limited to a company organized in the form of a

company limited by shares.

Article 21
The following requirements shall be fulfilled in case of any merger/ consolidation of a domestic company with a foreign company:
1. The said foreign company, pursuant to the law of incorporation, shall be a company limited by shares or a limited company and is duly allowed to be merged/consolidated with other companies;
2. The merger/consolidation agreement has been duly resolved by the general meeting, the Board of Directors of that foreign company or otherwise, pursuant to the law of incorporation;
3. The surviving company or newly incorporated company after the merger/consolidation shall exist only in the form of a company limited by shares.
The foreign company shall designate before the reference date of the merger/consolidation a representative for any service made within the territory of the Republic of China.

Article 22
The merger/consolidation agreement shall be made in writing and state the following particulars:
1. The name and capital of the companies involved in the merger/consolidation and the name and capital of the surviving or newly incorporated company after the merger/consolidation.
2. Where shares are to be issued by the surviving company, the newly incorporated company, or other companies as a result of the merger/consolidation, the total number of shares, classes of shares
and amount of each class, or the amount of cash and other assets.
3. Where shares are to be issued to shareholders of the dissolved company by the surviving company, the newly incorporated company, or other companies as a result of the merger/consolidation, the total number of shares, classes of shares and amount of each class; the amount of cash and other assets; the method and proportion of distribution, together with other relevant matters.
4. Any matter related to the shares duly redeemed or purchased by the surviving company for the distribution to the shareholders of the dissolved company.
5. Any change to the Articles of Incorporation of the surviving company or Articles of Incorporation to be executed by the newly incorporated company according to Article 129 of the Company Act;
6. Criteria and conditions for the computation of share exchange ratio by the listed or OTC company.
The preceding paragraph is also applicable, mutatis mutandis, to the merger/consolidation with a foreign company.
The entries, required to appear in the merger/consolidation agreement under Paragraph 1, shall be delivered to each shareholder together with the notice of the general shareholders' meeting for the merger/consolidation. In the case of the company that has its share certificates publicly issued, it shall send the review results of special committees or audit committees and opinions of independent experts to the shareholders.

Article 23
Upon the resolution of the merger/consolidation, a company shall immediately notify or make a public notice to each creditor of such a merger/consolidation and specify a period of not less than thirty days to allow objection filed by the creditors.
A company, that has not given notice or made public announcement in the manner referred to in the preceding paragraph, or fails to satisfy a creditor who has raised an objection to the merger/consolidation, to furnish an appropriate security, to create any trust exclusively for creditors' satisfaction, or to certify that such a merger/consolidation is without prejudice to the rights of creditors, shall not assert the merger/consolidation as a defense against such a creditor.
The requirements specified in Paragraph One shall be applicable to the creditors of the dissolved company in the merger/consolidation provided in Article 18(7) of this Act; as regards the notice and public announcement, the reference date to start counting is the date of the resolution by the general meeting.
The requirements specified in Paragraph One shall be applicable to the creditors of the subsidiary company in the merger/consolidation provided in Article 19 of this Act; as regards the notice and public announcement, the reference date to start counting is the date of the resolution by the Board of Directors.

Article 24
All rights and obligations of any company dissolved due to the merger/consolidation shall be generally assumed by the surviving company or the newly incorporated company after the merger/consolidation; the status as a concerned party of the dissolved company in any on-going

litigation, non-litigation, arbitration and any other proceedings shall be taken over by the surviving company or the newly incorporated company.

Article 25
The transfer of all rights and obligations pertaining to any properties acquired from the dissolved company by the surviving company or the newly incorporated company shall become operative on and after the reference date specified for the merger/consolidation; provided, however, that any acquisition, hypothecation, loss or change of any right under other applicable laws shall be registered before its disposition is permitted.
The following documents are required to be forthwith registered with the appropriate authorities by batch by the surviving company or the newly incorporated company in carrying out the registration of the alteration or merger/consolidation for the rights pertaining to the assets described in the preceding paragraph without being subject to the restriction that any registration for alteration of rights shall be jointly completed by the obligor and obligee as provided in Article 73(1) of the Land Act, Article 7 of the Personal Property Secured Transactions Act and any other applicable laws and
ordinances:
1. Certificate of the registration for the merger/consolidation.
2. A list of registered assets of the dissolved company before the merger/consolidation and the list of
assets in the registration for modification completed by the surviving company or the newly incorporated company.
3. Any other documents specified by the registration authorities.
Unless a longer period is otherwise provided by other applicable laws and ordinances, the registration specified herein shall be completed within six months upon the reference date of the merger/consolidation without being subject to the completion of registration for alteration of land rights within one month as provided in the former of Article 73(2) of the Land Act.

Article 26
The surviving company may report the merger/consolidation in the first general meeting held after the merger/consolidation.

Section Two Acquisition

Article 27
The notice of credit transfer in the acquisition of business or assets by a company under general assumption or transfer, or under Articles 185(1) (ii) or 185(1) (iii) may be made in the form of public announcement in lieu and the recognition from the creditors is not required in any undertaking of liabilities without being subject to Articles 297 and 301 of the Civil Code. The foregoing transactions require resolutions adopted by a majority vote at the general meeting attended by shareholders representing two-thirds or more of the total number of the issued shares of the company.
For a company that has its share certificates publicly issued, if the total number of shares represented by shareholders present at the general meeting is short of the quorum provided under the preceding paragraph, the resolution may be adopted by two-thirds or more of the votes of the shareholders present at the general meeting who represent a majority of the total number of issued shares.
In case the trading of shares on the stock exchange or OTC market is terminated because the listed or OTC company carries on the general transfer or transfers business or assets so that the transferee
company is not a listed or OTC company anymore, the resolution of the general meeting under the preceding two paragraphs shall be adopted by two-thirds or more of the votes of the shareholders who represent the total number of issued shares of the listed or OTC company.
Where higher criteria for the total number of shares represented by the shareholders present at the general meeting and the total number of votes required to adopt a resolution thereat under the preceding three paragraphs are specified in the Articles of Incorporation, such higher criteria shall prevail.
Article 25 of this Act is applicable mutatis mutandis to the registration for transfer and alteration of rights and obligations pertaining to the assets of the transferor company acquired by the transferee company.
The preceding five Paragraphs and Article 21 of this Act shall apply mutatis mutandis to the transfer or assumption of business or assets under Article 185 (1) (ii) and (iii) of the Company Act and the acquisition made in the form of general assumption or transfer by the company and a foreign

company.
Article 18 (6) of this Act shall apply mutatis mutandis to the procedure of the acquisition in this Article.
A company shall, after the resolution made under Paragraph 1, immediately notify as well as make a public notice to each creditor of the company of such a resolution, while specifying a time limit of not fewer than thirty (30) days within which the creditors may raise their objections, if any, to such a resolution.
A company, that has not given notice or made public announcement in the manner referred to in the preceding paragraph, or fails to satisfy a creditor who has raised an objection to the merger/consolidation, to furnish an appropriate security, to create any trust exclusively for creditors' satisfaction, or to certify that such a merger/consolidation is without prejudice to the rights of creditors, shall not assert the merger/consolidation as a defense against such a creditor.
For the purpose of the merger/consolidation and acquisition to acquire the shares of the company whose share certificates have been publicly issued, in case ten percent or fewer of the total shares that the company had issued are acquired, it can be done alone or with others not in a publicly disclosed way.
The term " alone "under the preceding paragraph means as follows:
1. Acquiring the shares of the company in its (or her) own name.
2. Acquiring the shares of the company in others' names, conforming to requirements under Article 2 of Securities and Exchange Act Enforcement Rules.
3. Acquiring the shares of the company in the name of a special purpose entity, conforming to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).
The term "with others" under Paragraph 10 means: several people, with the same purpose of the merger/consolidation and acquisition, acquire already-issued shares of a public company by contract,
agreement, or other forms of mutual consent.
Those who acquire the shares under Paragraph 10 can transfer their shares through intraday trading or after-market-close trading on the centralized securities exchange or OTC market.
For the purpose of the merger/consolidation and acquisition to acquire the shares of the company whose shares have been publicly issued, in case more than ten percent of the total shares that the company had issued are acquired, the acquirers shall report to the competent securities authority the purpose of the merger/consolidation and acquisition and other particulars required for reporting by the competent securities authority within ten days of the acquisition of the shares; if the particulars required for reporting were adjusted, they shall be updated immediately.
In case of the acquisition of the voting shares already issued by the company whose shares have been publicly issued without complying with the requirements under the preceding paragraph, the excess shares shall not have voting rights.

Article 28
Upon complying with the following requirements, the acquisition of the entire or substantial portion of the business or assets from a parent company by a subsidiary company may be made as resolved by the Board of Directors of the parent company. Resolutions adopted by the shareholders' meeting of the transferor and transferee companies as provided in Articles 185(1) through 185(4) are not required and the requirements set forth in Articles 186 through Article 188 of the Company Act are exempted:
1. The said subsidiary company is entirely held by the parent company;
2. The subsidiary company shall issue new shares to the parent company in exchange for the business or assets of the latter.
3. The said parent company and its subsidiary company have prepared the consolidated financial statements according to the Generally Accepted Accounting Principles.
The preceding paragraph and Article 21 of this Act shall apply mutatis mutandis to any transfer by a parent company of its entire or substantial portion of business or assets to its 100% held subsidiary company incorporated offshore, or the transfer by a foreign company of its entire or substantial portion of business or assets to its 100% held subsidiary company incorporated within the territory of the Republic of China.
Article 25 of this Act is applicable mutatis mutandis to the registration for transfer and alteration of rights and obligations pertaining to the assets of the transferor company acquired by the transferee company.
In case the trading of shares on the stock exchange or OTC market is terminated because the listed or OTC company transferred its business or assets to another company, the resolution of the general
meeting shall be adopted by two-thirds or more of the votes of the shareholders who represent the total number of issued shares of the listed or OTC company. Paragraphs 1 and 2 on the resolution

of
Board of Directors of the transferor company shall not apply.
Article 18 (6) of this Act shall apply mutatis mutandis to the procedure of the acquisition in this Article.

Article 29
If as resolved by the general meeting, a company may by means of share exchange to be acquired by any other surviving or newly incorporation company as a 100% held subsidiary company pursuant to the following requirements:
1.The said resolution by the general meeting shall be adopted by a majority votes at the meeting attended by shareholders representing two-thirds or more of the total number of the issued shares; the same governs where the designated transferee company is a surviving company;
2.Requirements set forth in the latter of Article 197(1) of the Company Act, Article 227 when the latter of Article 197(1) of the Company Act shall apply mutatis mutandis, and Articles 22-2 and 26 of the Securities and Exchange Act are not applicable to the share exchange described herein.
For a company that has its share certificates publicly issued, if the total number of shares represented by shareholders present at the general meeting is short of the quorum provided Item 1 under the preceding paragraph, the resolution may be adopted by two-thirds or more of the shareholders present at the general meeting who represent a majority of the total number of issued shares.
In case the trading of shares on the stock exchange or OTC market is terminated because the listed or OTC company is acquired by any other surviving or newly incorporation company as a 100% held subsidiary company while the surviving or newly incorporated company is not a listed or OTC company, the resolution of the general meeting under the preceding two paragraphs shall be adopted
by two-thirds or more of the votes of the shareholders who represent the total number of issued shares of the listed or OTC company.
Where higher criteria for the total number of shares represented by the shareholders present at the general meeting and the total number of votes required to adopt a resolution thereat under the preceding three paragraphs are specified in the Articles of Incorporation, such higher criteria shall prevail.
If the transferee company is a newly incorporate company, the general meeting held under Item 1, Paragraph 1 of this Article shall be deemed as the meeting of promoters of the transferee company; it may draw up the Articles of Incorporation and directors and supervisors may be elected in that same meeting without being subject to Article 128, Articles 129 through 139, 141 and 155 of the Company Act.
In case that the surviving transferee company issued new shares as the consideration, that the number of those shares will not exceed twenty percent of the total number of issued voting shares of that company, or that the total amount of shares, cash or the total value of the assets delivered will not exceed twenty percent of the net value of that company, a resolution for share exchange agreement shall be adopted by a majority vote of the directors present at the Board meeting attended
by directors representing two-thirds or more of the directors of the surviving company. However, in case the assets of the transferor company may not be insufficient to offset its liabilities, or the surviving transferee company needs to amend its Articles of Incorporation, Item 1 and 2, Paragraphs
1 of this Article relating to the resolution of the general meeting of the surviving transferee company still govern.
Article 18 (6) of this Act shall apply mutatis mutandis to the procedure of share exchange in this Article.

Article 30
Where ninety percent or more of the total number of the issued shares of a subsidiary company is held by its parent company, the parent company may carry on the acquisition by share exchange with the said subsidiary company upon a resolution to be adopted separately at the Board meeting of
both the parent and subsidiary companies by a majority vote of the directors present at the Board meeting attended by directors representing two-thirds or more of the directors of the respective companies.
After adoption of the resolution by the Board of Directors of the subsidiary company under the preceding paragraph, the details of the resolution and entries required to appear in the share exchange agreement shall be published within ten days. A notice shall be served to each of its

shareholders and state that any shareholder who has an objection against that resolution may submit a written objection requesting the subsidiary company to buy back, at the then prevailing price, the shares of the subsidiary company she holds. In the case of a company that has its share certificates publicly issued, it shall deliver review results of special committees or audit committees and opinions of independent experts in the share exchange agreement to its shareholders.
The given time referred to in the preceding paragraph shall not be shorter than thirty days.
Article 18 (6) of this Act shall apply mutatis mutandis to the procedure of the share exchange in this Article.

Article 31
In the course of share exchange by and between a company and another company pursuant to the preceding Articles of this Act, if the designated transferee company is a surviving company, a share exchange agreement shall be concluded by Boards of Directors from both of the transferor and the transferee companies; if the designated transferee company is a newly incorporated company, a share exchange resolution shall be adopted by the Board of Directors of the transferor company; the
aforesaid agreement and resolution shall be presented at the general meetings of the companies concerned. However, the above requirements are not applicable to the cases where resolutions of general meetings are not required under the preceding two Articles.
The share exchange contract and resolution as described in the preceding paragraph shall contain the following particulars and shall be delivered to each shareholder together with the meeting notice:
1. Any alteration made to the Articles of Incorporation of the surviving company or execution of the Articles of Incorporation of the newly incorporated company;
2. Where shares, cash or other assets given as the consideration by the surviving or newly incorporated company, the total number of new shares, classes of shares, and amount of each class; the total amount of cash and other assets, types of cash and other assets, and amount of each type, together with other relevant matters.
3. Where shares are transferred by the shareholders of the company to the surviving or newly incorporated company, the total number of shares, classes of shares, and amount of each class, together with other relevant matters;
4. The relevant provisions applicable if the amount of shares to be issued to the shareholders is less than the value of one share and payable in cash;
5. The share exchange agreement shall enter whether any remaining office term of directors or supervisors at the time of the share exchange should be continued; the share exchange resolution shall enter a list of directors and supervisors of the newly incorporated company;
6. In case of a joint share exchange with another company for the newly incorporated company, the share exchange resolution shall enter matters of concerns in such a joint share exchange.
The preceding two paragraphs, the preceding two articles and Article 21 shall apply mutatis mutandis to the share exchange between the company and a foreign company.
Any undistributed retained earnings after the share exchange by a company with another company shall be entered as the capital surplus of another company.
Special shares already issued before the share exchange by a company with another company, the transferee company shall assume the rights and obligations regarding these shares towards their holders; the transferee company, in the fiscal year of the share exchange, may distribute dividends after the supervisors audit the statements and reports produced by the Board of Directors, while such distribution is immune from restrictions provided in Articles 228 through 231 of the Company Act.
If a company is newly incorporated as a result of the share exchange by the company with another company, the portion of the capital quota for the share exchange of the newly incorporated company
may not be applicable to Article 2(1) (i) of the Employee Welfare Fund Act.
The entries required to appear in the transfer agreement or resolution of under Paragraph 2 shall be delivered to each shareholder together with the notice of the meeting for transfer; the company that has its share certificates publicly issued, shall deliver the result of the review that made by special committee or audit committee and the review result of independent expert to shareholders. The entries, required to appear in a share exchange agreement or resolution under Paragraph 2, shall be delivered to each shareholder together with the notice of the general shareholders' meeting for the share exchange. In the case of the company that has its share certificates publicly issued, it shall send the review results of special committees or audit committees and opinions of independent experts to the shareholders.

Article 32

The case where a company engaging in the share exchange acquires shares of the designated transferee company, is not subject to Paragraphs 3 and 4, Article 167 of the Company Act.
When the company engaging in the share exchange acquires shares under the preceding paragraph, it must not exercise the rights of a shareholder unless under any of the following circumstances:
1. Claim for surplus earnings distribution.
2. Claim for distribution of residual assets.
3. Distribution of the legal reserve or capital surplus by issuing new shares and by paying cash.

Article 33
After the share exchange resolution is adopted by a company, it shall make a public notice to shareholders, notify each shareholder and each pledgee of the shareholders as registered in the shareholders' roster, no later than 30 days prior to the reference date of the share exchange, of the following matters:
1. The essentials of a resolution adopted by the shareholders' meeting or the Board of Directors.
2. Transfer of shares shall be executed on the reference date of the share exchange.
3. Shareholders shall file the shares they held with the company one day before the reference date of
the share exchange; those shares not filed shall become null and void.

Article 34
Where a listed or OTC company enters into a share exchange plan with another surviving company or a newly incorporated company under Article 29, the trading of the shares then traded on the stock
exchange or OTC market shall be terminated upon the completion of the share exchange and required procedure of the stock exchange or OTC market, and shares of the surviving company or the newly incorporated company in compliance with requirements set forth for a listed or OTC company shall be traded on the stock exchange or OTC market.

Section 3 Division

Article 35
In carrying on a division by a company, the Board of Directors shall draft a division plan and submit it to the general meeting.
A resolution for division shall be adopted by a majority vote at the general meeting attended by shareholders representing two-thirds or more of the total number of the issued shares of the company.
For a company that has its share certificates publicly issued, if the total number of shares represented by shareholders present at the general meeting is short of the quorum under the preceding paragraph, the resolution may be adopted by two-thirds or more of the votes of the shareholders present at the general meeting who represent a majority of the total number of issued shares.
In case a listed or OTC company carried on a division and the trading of the shares then traded on the stock exchange or OTC market shall be terminated while the surviving or newly incorporated transferee company after the division is not a listed or OTC company, the resolution of the general meeting under the preceding two paragraphs shall be adopted by two-thirds or more of the votes of the shareholders who represent the total number of issued shares of the listed or OTC company.
In the preceding three Paragraphs where higher criteria for the total number of shares represented by
the shareholders present at the general meeting and the total number of votes required to adopt a resolution thereat are specified in the Articles of Incorporation, such higher criteria shall prevail.
Upon the resolution of the division, a company shall immediately notify or make a public notice to each creditor of such a division and specify a period of not less than thirty days to allow objection filed by the creditors. A company, that has not given notice or made public announcement in the manner referred to in the preceding paragraph, or fails to satisfy a creditor who has raised an objection to the division, to furnish an appropriate security, to create any trust exclusively for creditors' satisfaction, or to certify that such a division is without prejudice to the rights of creditors, shall not assert the division as a defense against such a creditor.
The surviving or newly incorporated transferee company, unless the liabilities existing before the division may be severed, shall, within the scope of contributions made by the transferee company, be jointly and severally liable to discharge the liability incurred by the divided company prior to the division. However, the creditors' right to claim for the performance of the joint and several liabilities shall become extinguished, if not exercised by the creditors within two years from the reference date of the division.

If the transferee company is a newly incorporated company, the general meeting of the company divided shall be deemed as the meeting of promoters of the transferee company; it may draw up the Articles of Incorporation and elect directors and supervisors of the newly incorporated company in the same meeting without being subject to Articles 128, 129 through 139 and 141 through 155 of the
Company Act.
Article 24 of the Company Act shall apply mutatis mutandis to any company dissolved as a result of a division.
Where a listed or OTC company is divided, the surviving or the newly incorporated transferee company, after the division found compliant with requirements of the division and the relevant listing or OTC rules, may continue or start to offer its shares on the stock exchange or OTC market upon completing the procedures specified for such a division and procedures of the stock exchange or OTC market, while the divided company with shares traded on the stock exchange or OTC market before the division may continue the trading of the shares as such.
In case of a division by a company limited by shares, the surviving company or the newly incorporated company shall be only in the form of a company limited by shares.
Article 25 of this Act is applicable mutatis mutandis to the registration for transfer and alteration of rights and obligations pertaining to the assets of the divided company acquired after the division by the surviving or newly incorporated transferee company.
Article 18 (6) of this Act shall apply mutatis mutandis to the procedure of the division.

Article 36
In case the business value delivered to the surviving or the newly incorporated company will not exceed twenty percent of the net value of the divide company while the divided company acquires the total amount of consideration, a resolution for the division agreement shall be adopted by a majority vote of the directors present at the Board meeting attended by directors representing two-thirds or more of the directors of the divided company. However, in case the divided company needs to amend its Articles of Incorporation, Paragraphs 1-5 of the preceding Article relating to the resolution of the general meeting of the divided company still govern.
In case that the surviving transferee company issued new shares as the consideration for the division, that the number of those shares will not exceed twenty percent of the total number of issued voting shares of that company, or that the total amount of shares, cash or the total value of the assets delivered will not exceed twenty percent of the net value of that company, a resolution for the division agreement shall be adopted by a majority vote of the directors present at the Board meeting attended by directors representing two-thirds or more of the directors of the surviving company. However, in case the assets of the business of the divided company transferred to the surviving company may not be insufficient to offset its liabilities, or the surviving transferee company needs to amend its Articles of Incorporation, Paragraphs 1-5 of the preceding Article relating to the resolution of the general meeting of the surviving transferee company still govern.
In case the division is resolved by the Board of Directors of the divided company while the divided company is the only shareholder of the newly incorporated company, the Board meeting of the divided company shall be deemed as the meeting of promoters of the newly incorporated company; it may draw up the Articles of Incorporation and elect directors and supervisors in the same meeting without being subject to Articles 128, 129 through 139 and 141 through 155 of the Company Act.

Article 37
In case that a parent company carries on a division with its subsidiary company whose ninety percent or more of the total number of the issued shares is held by the parent company and that the subsidiary company, as the divided company, transfers its business to the parent company, as the surviving transferee company, while acquiring the total amount of consideration for the business, the division plan may be concluded upon a resolution to be adopted separately at the Board meeting of each company by a majority vote of the directors present at the meeting attended by directors representing two-thirds or more of the directors of the respective companies.
A company shall immediately make a public notice and notify each creditor of the divided subsidiary company under the preceding paragraph of such a division pursuant to Paragraph 6 of Article 35 of this Act; as regards the notice and public announcement, the reference date to start counting is the date of the resolution by the Board of Directors.
After adoption of the resolution by the Board of Directors of the subsidiary company under Paragraph 1 of this Article, the details of the resolution and entries required to appear in the division plan shall be published within ten days. A notice shall be served to each of its shareholders and state that any shareholder who has an objection against that resolution may submit a written objection requesting the subsidiary company to buy back, at the then prevailing price, the shares of the subsidiary companies she holds. In case a company has its share certificates publicly issued, it shall

deliver review results of special committees or audit committees and opinions of independent experts to its shareholders.
The given time referred to in the preceding paragraph shall not be shorter than thirty days.

Article 38
The division plan specified in Article 35, Article 36 and Article 37 of this Act shall be made in writing with the following particulars:
1. Any alteration made to the Articles of Incorporation of the surviving transferee company or execution of the Articles of Incorporation of the newly incorporated company;
2. Business value, assets, liabilities, share exchange ratio and computation criteria of the business transferred by the divided company to the surviving or the newly incorporated transferor company;
3. Where shares, cash or other assets given as the consideration by the surviving transferor company
or the newly incorporated company, the total number of new shares, classes of shares, and amount of each class; the total amount of cash and other assets, types of cash and other assets, and amount of each type, together with the computation criteria;
4. The proportion of distribution and other relevant matters of shares, cash or other assets acquired by the divided company or its shareholders, or both;
5. The relevant provisions applicable if the amount of shares to be issued to the divided company or its shareholders is less than the value of one share and payable in cash;
6. Rights and obligations of the divided company assumed by the surviving or newly incorporated transferor company, together with other matters;
7. In case of capital reduction of the divided company, any matter related to such reduced capital;
8. The matters which shall be settled in the cancellation of the shares of the divided company;
9. If another company joins the division with the company, the resolution of the division shall contain matters related to the joint division.
The entries required to appear in the division plan shall be delivered together with the notice of the general meeting for the resolution of the division to each shareholder. In case a company has its share certificates publicly issued, it shall deliver review results of special committees or audit committees and opinions of independent experts to its shareholders.
In case a division is made with a foreign company, Articles 35, 36, 37, 38(1), 38(2) and 21 of this Act shall mutatis mutandis apply.

CHAPTER III TAX PAYABLE TO GOVERNMENT

Article 39
In carrying on a division or the acquisition of assets or shares by a company pursuant to Articles 27 through 30 of this Act, with the shares entitled with voting rights as the consideration to pay the company so merged/consolidated and acquired while such shares are at a value not less than sixty-five percent of the total consideration, or where a company is carrying on the merger/consolidation, the following shall apply:
1. Any and all deeds and certificates so created are exempted from stamp tax;
2. The title-ship of acquired immovable property is exempted from deed tax;
3. Transferred securities are exempted from securities exchange tax;
4. Any commodities or labor service transferred is deemed as not falling within the scope of imposition of business tax;
5. The transfer registration of the title-ship shall be immediately completed after the current value of any land owned by the company with the transfer declared is confirmed. The land value increment tax duly born by the existing land title holder may be registered under the name of the company acquiring the land after the merger/consolidation and acquisition; in case of any further transfer of that land, the land value increment tax registered shall be paid on a priority basis over any and all liabilities and mortgage from the proceedings of the disposition of such land.
After the land value increment tax under Item 5 of the preceding paragraph is registered, when shares as the consideration are transferred by the acquired company or divided company such that the shares it holds becomes lower than sixty-five percent of the consideration within three years upon completing the registration of the land transferred, the acquired company or the divided company shall make later payment of the land value increment tax registered; any shortage of the later payment shall be made good by the acquiring company and the surviving company or the newly incorporated company after the division.

Article 40
The goodwill created as a result of the merger/consolidation and acquisition by a company may be equally amortized within fifteen years.

The amortization of goodwill in the preceding Paragraph, the taxpayer shall present sufficient documents to prove the reasonable business purpose of the merger/consolidation and acquisition, the costs of merger/consolidation and acquisition, the fair value of the identifiable net assets obtained, and other relevant review items, and shall be determined by the competent tax collection authority, but goodwill shall not be recognized in violation of the accounting handling regulations, with no reasonable business purpose, with goodwill manufactured by fictitious arrangements in the legal form of merger/consolidation and acquisition, or with failure to provide relevant supporting documents.

Article 40-1
Intangible assets obtained by a company through merger/consolidation, division, or acquisition of business or property as provided in Articles 27 or 28 of this Act, which are identifiable and can be controlled by a company with future economic benefits and whose amount can be measured, may be
the actual acquisition cost and be amortized evenly in a certain period of time.
Intangible assets in the preceding Paragraph refer only to business rights, copyrights, trademark rights, patents, integrated circuit layout rights, plant variety rights, fishing rights, mining rights, water rights, trade secrets, computer software and other franchises.
A certain period of time for amortization of intangible assets in Paragraph 1 shall be calculated on the basis of the following Subparagraphs:
1.Business rights shall be based on a period of ten years, and copyrights shall be based on a period of fifteen years. However, after the merger, division, or acquisition of a company, the remaining statutory period of enjoyment shall apply when less than above periods;
2.The intangible assets other than those mentioned in the preceding Paragraph shall be calculated based on the remaining legal years of enjoyment after the merger, division or acquisition of a company; where the law does not specify the number of years of enjoyment, it shall be calculated as ten years.
If the tax collection authority has concern about identifying the trade secrets in Paragraph 2 during the investigation, it may request opinions from the central competent authority of the surviving or newly incorporated company after the merger/consolidation, the existing or newly incorporated company after the division, or an acquisition company.

Article 41
The expenses incurred from the merger/consolidation and acquisition by a company may be equally amortized within ten years.

Article 42
In case of a merger/consolidation, division or acquisition provided in Articles 27 and 28 of this Act by a company, the surviving company or the newly incorporated company after the merger/consolidation, the surviving company or the newly incorporated company after the division or the company of acquisition may respectively continue to assume any tax incentives entitled to the dissolved company, the company divided or the company acquired that is not yet deducted or not expired for the assets or business already acquired before that current acquisition; provided, however, that any company qualified for the incentive of exemption of business income tax shall continue to produce the product or labor service enjoying the incentives by the dissolved company, the company divided or the acquired company before the merger/consolidation and acquisition; such
incentives shall be limited to the income accounted for the product independently manufactured or the labor service provided and otherwise enjoyed by the dissolved company, the company divided or
the company acquired as of the surviving company or the newly incorporated company after the merger/consolidation, or the surviving company or the newly incorporated company after the division or the acquisition company. In case of being qualified for the incentives of investment offset, such shall be limited to the tax payable accounted for the part of the dissolved company, the company divided or the company acquired as of the surviving company or the newly incorporated company after the merger/consolidation, or the surviving company or the newly incorporated company after the division or the acquisition company.
If any tax incentives continued to be enjoyed by the company pursuant to the requirements set forth in the preceding paragraph is required to comply with the conditions and standards as specified in applicable laws and ordinances, the company shall meet the same incentive conditions and standards after the assumption of the tax incentives.
To facilitate readjustment of the structure of the industry, a company with surplus is encouraged to merge/consolidate and acquire any other company in loss to repay the debts due to banks

transferred
at the time the merger/consolidation and acquisition take place, the Executive Yuan may prescribe a procedure to exempt the business income tax for the income created from the assets or business so merged/ consolidated and acquired within a given period of time.
The preceding paragraph may be applicable, mutatis mutandis, to the merger/consolidation between two companies in loss.
The Executive Yuan shall specify the given period of time, applicable conditions and procedure for the exemption of business income tax as described in Paragraphs 3 and 4 of this Article.

Article 43
If provided with sound and complete accounting books and records, the loss and the year for the declaration of deduction as a result of the merger/consolidation by a company entitled to use the blue declaration form as referred to in Article 77 of the Income Tax Act or if provided with a CPA certified report and the income tax has been declared and paid up within the given time, the surviving company or the newly incorporated company after the merger/consolidation in declaring the final income tax of profit business may deduct from the net profit of the current year within ten years upon the year the loss takes place the losses provided under Article 39 of the Income Tax Act
before the merger/consolidation for deduction to each company participating in the merger/consolidation in pro rata of the equities of the surviving company or the newly incorporated company held by each corporate shareholder due to the merger/consolidation.
In case of a merger/consolidation by a domestic company with a foreign company, the surviving company or the newly incorporated company or the subsidiary company incorporated by the foreign
company within the territory of the Republic of China may deduct any loss not yet deducted before the merger/consolidation by each company participating in the merger/consolidation or by the subsidiary company incorporated by the foreign company within the territory of the Republic of China.
Upon the division of the company, the surviving company or the newly incorporated company may, as specified in Paragraph 1 of this Article, deduct from the net profit of the loss pending deduction before the division by each company participating in the division at the amount calculated pro rata according to the division of equity. Upon calculating of the deductible loss by the surviving company, the ratio of equity of the surviving company held after the division by the shareholders of each company participating in the division shall be further accounted for the calculation.

Article 44
If the shares with voting rights acquired by a company as a result of the transfer of its entire or substantial portion of business or assets to another company is not less than eighty percent of the consideration of the entire transaction, and all the shares so acquired have been transferred to the shareholders, then any proceedings generated from the transfer of the business or assets is exempted
from business income tax; any loss incurred is prevented from deduction from the income.
The substantial portion of business as described in the preceding paragraph refers to the income of the latest three years of the transferor business is at an amount not less than fifty percent of the total operation income for each respective fiscal year; the substantial portion of assets refers to the assets to be transferred with a value not less than fifty percent of the total assets at the time the transfer takes place.
If the shares with voting rights acquired by a company as a result of a division is not less than eighty percent of the consideration of the entire transaction, and all the shares so acquired have been transferred to the shareholders, any income created as a result of the division is exempted from business income tax; any loss incurred is prevented from deduction from the income.

Article 44-1
In cases where a company is dissolved due to the merger/consolidation or division, the individual shareholders who acquire the shares of the surviving company or the newly incorporated company after the merger/consolidation, or of an existing or newly incorporated company after division, whichever domestic or foreign, when her dividend income is calculated in accordance with the provisions of the Income Tax Act, may choose to defer all dividends until the consecutive three years from the following year of receiving dividend income, and the income tax shall be levied evenly over three years. Such deferral cannot be changed once selected.
The following requirements shall be satisfied in order for the dissolved companies and the divided companies to apply the preceding Paragraph:
1.The period from set up registration of the company to the date of its resolution on

merger/consolidation or division is less than five years.
2.The company does not issue shares to public.
To make Paragraph 1 applicable, the dissolved companies and the divided companies shall, within 45 days from the date when the competent authority approves the change of registration, fill out the format of the tax deferral selected by the shareholders in the prescribed, attach with relevant documents, and submit it for reference to the tax collection authority where the company is located. Any overdue application will not be accepted.
The date of resolution on merger/consolidation or division under Subparagraph 1, Paragraph 2 shall refer to the date on which the first resolution of the shareholders' meeting is passed for the merger/consolidation or division of the company. However, in case of any short-form merger/consolidation proceeded under Article 19 and any short-form division proceeded under Article 37 by a company, it shall be the date when the first resolution made by the board of directors.
The procedures of income tax report for deferring tax payment on the dividend income and the documents to be presented in Paragraph 1, the format specified, the documents and other related items in Paragraph 3, shall be prescribed by the Ministry of Finance.

Article 45
If as a result of carrying on the merger/consolidation, division or the acquisition as provided in Articles 27 through 30 of this Act, the shares or contributed capital of the subsidiary company held by the company reaches ninety percent or more of the total number of issued shares or subscribed capital, the company may be elected as the tax payer since the fiscal year having survived twelve months of a given taxable year during the term of such holding to declare a combined final business income tax as provided in the Income Tax Act, and declare the undistributed earnings with an additional ten percent of business income tax; any other tax related matters shall be carried out separately by the company and its subsidiary company.
Companies electing to file a combined final business income tax return according to the preceding paragraph shall bring into all qualified domestic subsidiary companies. It is not required to secure a prior admission before such combination choice is made; however, once the choice of combination is made, unless there is due cause and approved by the Ministry of Finance two months before the end of the fiscal year, no change is permitted.
Within five years after the shift is permitted under the preceding paragraph, the company is not allowed to opt for combination filing. When the holding of shares or subscribed capital drops below the standard prescribed in Paragraph 1 of this Article, the subsidiary company shall file a separate business income tax return and since then, the subsidiary company has not been permitted to be brought into the combined business income tax return for five consecutive years.
Companies file combined business income tax return according to Paragraph 1 of this Article, the calculation of the combined business income and the tax payable, of the undistributed earnings under the combination and the additional tax, the deduction of the business loss, the application of investment encouragement deduction, the deduction of foreign tax payment, the arrangement of shareholders' deductible tax account, the filing of temporary payment and other rules are prescribed by the Ministry of Finance.

Article 46
If a domestic company is carrying on a merger/consolidation, division or the acquisition of assets or shares under Articles 27, 28 and 31(3) of this Act with a foreign company, Articles 39 through 45 of
this Act shall apply to the domestic company and Articles 39 and 43 to that foreign company.

Article 47
Between a company and its subsidiary company, between a company or its subsidiary company and
any domestic or foreign individual, profit-making business or education, culture, public interest, charities or organization, if there is one of the following situations, the tax collection authorities may seek the approval from the Competent Tax Authority to readjust such tax obligations either according to the arm's length transaction or depending on the results of investigation in order for an accurate computation of the income tax and tax payable of the tax payer:
1. Any arrangement not made in arm's length transaction, avoidance or reduction of tax obligation on the amortized income, expenses, expenditures and profit/loss;
2. Any improper avoidance or reduction of tax obligation for oneself or for any other person by means of the acquisition of equity, transfer of assets or any other fraudulent arrangement.
Any company or its subsidiary company when subject to a recompilation of the amount of income and the taxable amount by the tax collection authorities pursuant to the preceding paragraph hereof

is prevented from filing a combined business income tax as provided in Article 45.

Article 48
Any loss from the transaction in which a company applied its business or assets in subscribing or exchange for the shares from another company and the value of such acquired shares is lower than the book value of the business or assets may be amortized within of fifteen years; provided, however, that any loss incurred, that is prevented from deduction from the income pursuant to Article 44, may not be amortized.

CHAPTER IV FINANCIAL FACILITIES

Article 49
If the result of the merger/consolidation, acquisition or division by a company breaches the credit authorization quota permitted by the laws to an interested party, the same principal, the same interested party or the same affiliated enterprises, the financial institution may stick to the credit authorization agreement until the expiry of the term of credit authorization.

Article 50
For any shares acquired from the surviving company by transferring a certain part of business or assets by a company due to the merger/consolidation, acquisition or division, the financial institution may replace then existing collateral for the original business or assets with the shares acquired.

CHAPTER V REORGANIZATION

Article 51
The plan of reorganization may contain the proposal for the merger/consolidation and acquisition. If the reorganization of a company is done through the merger/consolidation and acquisition, supporting documents shall be produced and deemed as an integral part of the plan of reorganization,
without being subject to the requirement of the resolution adopted by the general meeting or the Board of Directors as provided in Articles 18, 19, 27 through 30 and 35 through 37 of this Act.

Article 52
If the merger/consolidation and acquisition are made in the course of reorganization by a company, any shareholder of that company is not vested with the right to request the company to buy back his shares while Article 12 of this Act is not applicable.

CHAPTER VI SUPPLEMENTAL PROVISIONS

Article 53
Any company or its shareholders applicable to the provisions of tax payable to government as provided in Chapter III of this Act shall produce those documents required by the Ministry of Finance; failure of or insufficiency in the documents shall be notified for a later submittal by the tax collection authorities; the further failure of the later submittal without justified cause will prevent the applicability of those provisions.

Article 54
This Act shall become effective from six months after the date of promulgation.