

- Article 1      Purpose of Stipulation
- For the purpose of enhancing the asset management, securing investment and implementing information disclosure of the Company and subsidiaries, these Procedures for Acquisition and Disposal of Assets are established.
- Article 2      Legal Basis
- These Procedures are stipulated according to Article 36-1 of the Securities and Exchange Act and relevant requirements specified in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (referred to as the “Regulations”) of Financial Supervisory Commission (referred to as the “FSC”).
- Article 3      Scope of Assets
1. Securities: Include investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
  2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
  3. Memberships.
  4. Intangible assets: including Patents, copyrights, trademarks, franchise rights, and other intangible assets.
  5. Right-of-use assets.
  6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
  7. Derivatives.
  8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
  9. Other major assets.
- Article 4      Definition of Terms
1. Derivatives : Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
  2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the Company Act.

3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
8. Securities exchange: “Domestic securities exchange” refers to the Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
9. Over-the-counter venue (“OTC venue”, “OTC”): “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.
10. The term of “financial statement of the most recent period” refers to the financial statement certified or reviewed by a certified public accountant (CPA) and disclosed according to the laws prior to the acquisition or disposal of assets of the Company.
11. The term of “10 percent of total assets” refers to calculation of the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5 Investment limits for non-operating real properties and right-of-use assets thereof or securities

The limits for the aforementioned assets acquired by the Company are specified as follows:

1. For non-operating real properties and right-of-use assets thereof, the total amount shall not exceed 15 percent of the net value indicated in the financial statements of the most recent period.
2. The total amount of investments in long and short term securities shall not exceed 75 percent of the net value indicated in the financial statements of the most recent period; provided that for securities of extremely low risk, such as money market funds issued by domestic securities investment trust enterprises, such restriction shall not be applicable.
3. The amount of investment in individual securities shall not exceed 40 percent of the net value indicated in the financial statements of the most recent period.
4. The investment scope and limit of the Company and subsidiaries shall be handled according to the regulations of the Company; however, for a subsidiary acting as a professional investor, the total amount of the securities investment shall not exceed 100 percent of the shareholders equity of the Company.

Article 6 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-discipline standards of the Company's associations and the following:

- A. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- B. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- C. They shall undertake an item-by-item evaluation of the appropriateness and

reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.

- D. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

**Article 7**      Establishment of Disposition Procedures

The “Procedures for Acquisition or Disposal of Assets” of the Company shall be approved by the Audit Committee, followed by submitting to the board of directors for approval, and shall also be reported to the shareholders’ meeting for approval in order to be implemented accordingly; the same applies when these procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director’s dissenting opinion to the Audit Committee. When these “Procedures for Acquisition or Disposal of Assets” are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

When the Company adopts or amends these Procedures for the Acquisition or Disposal of Assets are adopted, these Procedures shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution. In case the consent of more than one-half of all members of the Audit Committee cannot be obtained, then the consent of more than two-thirds of all directors shall be obtained, and the minutes of the board of directors’ meeting shall be recorded with the resolution of the Audit Committee. The term of “all audit committee members” and “all directors” described in these Procedures shall be counted as the actual number of persons currently holding those positions.

**Article 8**      Procedures for acquisition or disposal of real property, equipment or right-of-use assets thereof

1.    Assessment and operating procedures

Acquisition or disposal of real property, equipment or right-of-use assets thereof of the Company shall be handled according to these Procedures and relevant internal regulations of the Company.

2.    Procedures for determining transaction terms and limits of authority delegation

- A. For acquisition or disposal of real property or right-of-use assets, the publicly announced current value, assessed value, actual transaction price of neighboring real properties etc. In addition, where the amount of each transaction is not over than NT\$ 100 million, it may be approved by the President; where the amount exceeds NT\$ 100 million but not over than NT\$ 200 million, it shall be approved by the Chairman; where the amount exceeds NT\$ 200 million, the transaction terms and transaction price shall be approved through resolution, and

analysis report shall be prepared for submitting to the board of directors' meeting for approval in order to execute the transaction accordingly.

- B. For acquisition or disposal of real property or right-of-use assets, one of the methods of price inquiry, price comparison, price negotiation or tender invitation shall be selected for execution. In addition, where the amount of each transaction is not over than NT\$ 100 million, it may be approved by the President; where the amount exceeds NT\$ 100 million but not over than NT\$ 200 million, it shall be approved by the Chairman; where the amount exceeds NT\$ 200 million, it shall be submitted to the board of directors for approval in order to execute the transaction accordingly.

3. Executing Units

- A. Acquisition or disposal of real properties, such as lands and houses etc., or the right-of-use assets thereof: Shall be handled by the General Management Division.
- B. Acquisition or disposal of equipment or the right-of-use assets thereof: Shall be handled by the Requesting Unit together with the other related units.

4. Appraisal Report of Real Property or Equipment

In acquiring or disposing of real property, equipment or right-of-use assets thereof, where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions.

- A. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- B. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- C. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

- b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- D. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- E. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

The calculation of the transaction amounts shall be performed according to Subparagraph (8) of Paragraph 1 of Article 15, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained according to these Procedures need not be counted toward the transaction amount.

#### Article 9 Procedures for Acquisition or Disposal of Securities Investment

- 1. Assessment and operating procedures  
Purchase and sale of long or short term securities of the Company shall be handled according to these Procedures and relevant internal regulations of the Company.
- 2. Procedures for determining transaction terms and limits of authority delegation
  - A. For the acquisition or disposal of securities traded at the centralized securities exchange market or OTC, it shall be determined based on the market fair price at that time.
  - B. For acquisition or disposal of securities not traded at the centralized securities exchange market or OTC, the net asset value per share, profitability, future development potential shall be considered for the price and the trading price at that time or opinions of securities analysis experts on the reasonableness of the transaction amount shall be considered for determination of the price of such securities.
  - C. Regarding the authorization limit for the transactions described in the preceding subparagraphs, In addition, for the acquisition or disposal of securities of single subject matter, where the amount of each transaction is not over than NT\$ 100 million, it may be approved by the President; where the amount exceeds NT\$ 100 million but not over than NT\$ 200 million, it shall be approved by the Chairman; where the amount exceeds NT\$ 200 million, it shall be submitted to the board of directors for approval in order to execute the transaction accordingly. Where the accumulated amount of the acquisition or disposal of securities of one single subject matter exceeds NT\$ 200 million, it shall be submitted to the board of directors for approval in order to execute the transaction accordingly. Regarding the transactions of securities and bonds



under repurchase or the transactions of domestic monetary market funds etc. for the purpose of capital movement, since the risk of the subject matter is extremely low and due to the consideration of the timing for capital movement, the President is authorized for approval in order to execute such transactions accordingly.

D. For the statement of changes (including acquisition or disposal) of the transactions described in the preceding subparagraphs, the responsible unit shall prepare such statement based on the information of the settlement date of the most recent month, and the statement of the most recent period shall be submitted to the board of directors for review.

3. Executing Units

When the Company invests in long or short term securities, such investments shall be approved according to the approval authority described in the preceding paragraph, and the subsequent transactions and executions shall be handled by the Department of Finance and other relevant units.

4. Obtaining Expert Opinion

A. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage CPA, prior to the date of occurrence of the event, to provide an opinion with respect to 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 Financial Supervisory Commission (FSC).

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

The calculation of the transaction amounts shall be performed according to Subparagraph (8) of Paragraph 1 of Article 15, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained according to these Procedures need not be counted toward the transaction amount.

Article 10 Procedures for acquisition or disposal of assets from or to related party

1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to handling relevant resolution procedures and assessing the reasonableness of transaction terms according to Articles 8, 9, 11 and this Article of these Procedures, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a

professional appraiser or a CPA's opinion.

The calculation of the transaction amounts shall be performed according to Subparagraph (8) of Paragraph 1 of Article 15, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained according to these Procedures need not be counted toward the transaction amount.

In addition, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

2. Assessment and operating procedures

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches the materiality standards (20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more), except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the competent authority have executed in accordance with the regulations of internal control within the company and the following matters have been approved by the Audit Committee and have been submitted to the board of directors for approval through resolution:

- A. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- B. The reason for choosing the related party as a transaction counterparty.
- C. With respect to the acquisition of real property or right-of-use assets thereof from a related party, relevant information with respect to the appraisal of the reasonableness of the preliminary transaction terms in accordance with Subparagraph (1) to Subparagraph (4) and Subparagraph (6) of Paragraph 3 of this Article.
- D. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- E. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- F. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Paragraph 1 of this Article.
- G. Restrictive covenants and other important stipulations associated with the



transaction.

If the Company or its subsidiary that is not a domestic public offering company conducts a transaction outlined in paragraph 2 of this article, and the transaction amount reaches 10% or more of the Company's total assets, the Company shall submit the materials listed in paragraph 2 of this article to the shareholders meeting for approval before it may sign the transaction contract and make payments. However, transactions between the Company and its subsidiaries or between its subsidiaries shall not be subject to this provision.

The calculation of the transaction amounts shall be performed according to Subparagraph (8) of Paragraph 1 of Article 15, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items already approved by the shareholders meeting and the Audit Committee and submitted to the board of directors with approval according to these Procedures need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and subsidiaries, or between subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, the board of directors delegates the Chairman to decide such matters when the transaction is under NT\$ 300 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

- A. Acquisition or disposal of equipment or right-of-use assets thereof held for business use and the transaction amount reaches the materiality standards.
- B. Acquisition or disposal of real property right-of-use assets held for business use.  
(No matter how much the transaction amount is.)

When these Procedures are submitted for discussion in the board of directors' meeting according to Paragraph 2 of this Article, it is necessary take into full consideration of each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. For matters requiring approval of the Audit Committee, the consent of more than one-half of all members of the Audit Committee shall be obtained, and shall be submitted to the board of directors' meeting for resolution. In case where the consents of more than one-half of all members of the Audit Committee cannot be obtained, then the consents of more than two-thirds of all directors may be obtained, and records shall be made in the minutes of the board of directors' meeting. "All members" described herein refer to the actual number of persons currently holding those positions.

3. Assessment of Reasonableness of Transaction Costs

- A. The Company acquiring real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
  - a. Based upon the related party's transaction price plus necessary interest on

funding and the costs to be duly borne by the buyer. “Necessary interest on funding” is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

- b. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- B. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- C. The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.
- D. Where the Company acquires real property or right-of-use assets thereof from a related party in accordance with Subparagraphs (1) and (2) of Paragraph 3 of this Article, if the results of appraisals are uniformly lower than the transaction price, then such matter shall be handled in compliance with Subparagraph (5) of Paragraph 3 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
  - a. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - i. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The “Reasonable construction profit” shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
    - ii. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely

valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

- b. Where the Company acquiring real property or obtaining real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- E. Where the Company acquires or disposes real property or right-of-use assets thereof from a related party, if the results of appraisals conducted in accordance with Subparagraphs (1), (2), (3) and (4) of Paragraph 3 of this Article are uniformly lower than the transaction price, the following steps shall be taken:
  - a. The Company shall set aside a special reserve in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
  - b. Independent directors of the Audit Committee shall comply with Article 218 of the Company Act.
  - c. Actions taken pursuant to preceding two Items of Subparagraph (5) of Paragraph 3 of this Article shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated,

or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

- F. Where the Company acquires real property or rights-of-use assets thereof from related party is subject to any one of the following conditions, it is required to handle such matter according to relevant assessment and operating procedures specified in Paragraph 2 of this Article only, and the requirements for assessment of reasonableness of transaction costs specified in Subparagraphs (1), (2) and (3) of Paragraph 3 of this Article are not applicable:
- a. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  - b. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
  - c. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
  - d. Real property right-of-use assets held for business use is acquired between the Company and subsidiaries, or between subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital,
- G. When the Company acquires real property or right-of-use assets from a related party, it shall also comply with the Subparagraph (5) of Paragraph 3 of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 11      Procedures for acquisition or disposal of intangible assets or right-of-use assets thereof or memberships

1.    Assessment and operating procedures

Where the Company acquires or disposes intangible assets or right-of-use- assets thereof or memberships, it shall consider the market fair price or expert's assessment report in order to determine the transaction terms and transaction price, and shall also prepare analysis report for submission to the President.

2.    Procedures for determining limits of authority delegation

- A. For acquisition or disposal of memberships, where the amount is less than NT\$ 3 million, it shall be submitted to the Chairman for approval and shall be reported to the most recent board of directors' meeting after the acquisition or disposal; where the amount reaches NT\$ 3 million or more, it shall be reported to the board of directors' meeting for approval through resolution before executing the acquisition or disposal.
- B. For acquisition or disposal of intangible assets or right-of-use assets thereof, where the amount is less than NT\$ 20 million, it shall be submitted to the

Chairman for approval and shall be reported to the most recent board of directors' meeting after the acquisition or disposal; where the amount reaches NT\$ 20 million or more, it shall be reported to the board of directors' meeting for approval through resolution before executing the acquisition or disposal.

3. Executing Units

When the Company acquires or disposes intangible assets or right-of-use assets thereof or memberships, it is necessary to proceed with the report for approval according to the delegation of authority described in the preceding paragraph, followed which the use unit and the General Affairs Management Center shall be responsible for the execution thereof.

4. Expert assessment opinion report for intangible assets or right-of-use assets thereof or memberships

Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

The calculation of the transaction amounts shall be performed according to Subparagraph (8) of Paragraph 1 of Article 15, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained according to these Procedures need not be counted toward the transaction amount.

Article 12 Procedures for acquisition or disposal of claims of financial institutions

The Company, in principle, does not perform any acquisition or disposal of claims of financial institutions. However, if the Company plans to perform transactions related to acquisition or disposal of claims of financial institutions, it shall be reported to the board of directors for approval first, following which the assessment and procedures thereof may then be established.

Article 13 Procedures for engaging in derivatives trading

1. Transaction principles and directives

A. Transaction type

- a. The Company may engage in derivatives trading according to the requirements specified in Paragraph 1 of Article 4.
- b. Regarding matters related to bond margin trading, such matters shall be handled according to relevant requirements of these Procedures. The requirements of these Procedures may not be applicable to bond trading under repurchase agreement.

B. Operation (hedging) strategy

The Company engaging in derivatives trading shall be based on the purpose of

hedging (not intended for trading purposes); and the transaction counterparties of domestic/foreign well-known financial institutions shall be selected in order to prevent credit risk. For transaction commodities for avoiding risks arising from the business operation of the Company shall be selected and used, and such transaction commodities shall satisfy the foreign currency demands of substantial transaction or relevant overseas operation of the Company. The holding position shall not exceed the overall net foreign currency position (i.e. foreign currency income and expenditure) in principle, in order to reduce the overall foreign exchange risk of the Company and to save foreign currency operation costs.

**C. Delegation of Responsibilities**

**a. Department of Finance**

- i. Responsible for the establishment of strategies for derivative trading of the entire company.
- ii. Execute trading according to the authorization granted and the existing strategy.
- iii. Log book shall be established.
- iv. In case of any major changes in the financial market, when the trading personnel determine that the existing strategy is not applicable, then assessment report shall be submitted at any time, and strategy shall be re-established, following which once the approval of President is obtained, it is used as a basis for engaging in trading.
- v. Before the tenth day of each month, the derivative trading status of the last month shall be submitted to the IR & Capital Market Department for inputting into the Market Observation Post System (MOPS).

**b. Department of Accounting**

Perform bookkeeping and prepare financial statements according to accepted accounting principles.

**c. Department of Auditing**

Responsible for understanding the appropriateness of derivative trading internal control and auditing the status of trading department's compliance with the operating procedures, and analyzing the trading cycle, preparing audit report and submitting the report to the Audit Committee for review after the completion of the audit items and before the end of following month. In addition, in case where the internal auditors discover the likelihood of material breach or major loss of the Company, report shall be prepared immediately for submission, and the Audit Committee shall be informed in writing.

**D. Derivatives approval authority**

**a. Approval authority for hedge trades**



Personnel with approval authority	Single transaction authority
Highest supervisor of financial and accounting	Less than US\$1M (inclusive)
President	US\$1M-3M (inclusive)
Chairman	US\$3M-5M (inclusive)
Board of directors	Above US\$5M

【Note】 The aforementioned “single transaction authority” shall be based on the accumulated new transactions on that day

#### E. Performance evaluation

##### a. Hedge trades

- i. The profit or loss generated between the book exchange rate cost and the derivative trading of the Company shall be used as the basis for the performance evaluation.
- ii. To sufficiently manage and express the evaluation risks of transactions, the Company adopts the monthly evaluation method to assess the profit and loss.
- iii. The Department of Finance shall provide foreign exchange position evaluation and foreign exchange market trend as well as market analysis for submission to the President as reference and guidance for management.

#### F. Establishment of contract total amount and loss limit

##### a. Contract total amount

##### i. Hedge trade limit

The Department of Finance shall periodically statistically analyze the overall positions of the Company, and shall use the overall net foreign currency position that has actually occurred or expected to occurred in the future as the limit for the operation.

##### ii. Non-hedging trades

The Company does not engage in non-hedging trades.

##### b. Establishment of loss limit

- i. The overall contract loss limit for derivatives of hedge trades of the Company shall be 20 percent of the total contract amount for the hedging operation. The loss limit for an individual contract shall be 30 percent of the individual contract amount.

Where the aforementioned individual or total contract loss limit has been reached, the Company shall call relevant personnel for meeting immediately to resolve the matter.

## 2. Risk Management Measures

### A. Credit Risk Management

Transaction counterparties shall be limited to domestic/foreign well-known

financial institutions.

**B. Market Risk Management**

Registration personnel shall verify whether the transaction total amount is inconsistent with the limit specified in these Procedures at all time. The Department of Finance shall perform market assessment periodically according to the laws and shall be aware of the possible impact of the future market price fluctuation on the profit or loss of the positions held.

**C. Liquidity Risk Management**

To ensure market liquidity, during the selection of derivatives, the ones with relatively higher liquidity (i.e., can be squared off in the market at any time) shall be selected in principle. The financial institutions entrusted to perform transactions shall have sufficient information and the capability to perform transaction in any market at any time.

**D. Cash Flow Risk Management**

To ensure the stability of working capital of the Company, the source of funds for the Company to engage in derivatives trading shall be limited to own fund only, and the operating amount shall at least consider the fund demand anticipated for the cash income/expenditure in the next three months.

**E. Operational Risk Management**

- a. Shall comply with the authorization limit, operation procedures specified by the Company properly and shall be included in the internal audit in order to prevent operating risk.
- b. Personnel engaging in derivatives trading may not serve concurrently in other operations such as confirmation and settlement act.
- c. Trading personnel shall submit the transaction certificates and bank statements to the Department of Accounting to perform account processes.
- d. Risk measurement, monitoring, and control personnel shall be handled by unit supervisor different from the one described in Item 2 of this Subparagraph, and shall be reported to the board of directors periodically.
- e. A log book shall be established, and the details of the type, amount, transaction term and other required assessment matters of derivatives trading engaged shall be recorded in the log book.

**F. Legal Risk Management**

Where the trading procedures and contract content of derivatives involve legal matters, such procedures and content shall be reviewed by legal personnel before the official signing thereof. Prior to the trading, it is necessary to confirm the legitimate authorization and the legality of the trading contract with the correspondent financial institution, and relevant proof documents shall be preserved properly.

**3. Internal audit system**

- A. Internal auditors shall periodically understand the appropriateness of the

derivatives trading internal control, and shall audit the status of the trading department monthly complying with the procedures for engaging in derivatives trading and analyze the trading cycle in order to prepare audit report. In case of discovery of material breach, written notice shall be submitted to the Audit Committee.

Internal auditors shall submit the audit report along with the internal audit operation annual audit plan execution status to the FSC before the end of February of next year, and shall also report the abnormality improvement status to the FSC for recordation no later than the end of May of next year.

4. Periodic assessment method
  - A. The board of directors shall authorize senior management officers to periodically supervise and assess whether derivative trading performed are handled properly according to the trading procedures established by the Company, and whether the risk borne is within the acceptable range. In case of any abnormalities indicated in the market price assessment report (such as the position held has exceeded the loss limit), report to the board of directors shall be made immediately, and responsive measures shall be adopted.
  - B. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
5. Supervision management principles for board of directors for engaging in derivative trading
  - A. The board of directors shall designate senior management officers to be aware of the supervision and control of the risks of derivative trading, and the management principle is as follows:
    - a. Periodically assess whether the risk management measures currently adopted are appropriate and handle matters according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and these Procedures.
    - b. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors. Where independent directors have been established, the board of directors’ meeting shall be attended by the independent directors and opinions shall be provided.
  - B. Periodically assess whether the performance of the derivatives trading complies with the predefined management strategies and whether the risk borne is within the acceptable range of the Company.
  - C. When the Company engages in derivative trading, where relevant personnel are authorized to according to the requirements of the procedures for derivative trading, it is necessary to report to the most recent board of directors’ meeting

after such trading.

Article 14      Procedures for merger, demerger, acquisition or transfer of shares

1.    Assessment and operating procedures

A. The Company conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of the Company's merger of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

B. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Subparagraph (1) of Paragraph 1 of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

2.    Other matters requiring attention

A. Date of board of directors' meeting and shareholders' meeting: The Company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

B. Document preservation: The Company participating in a merger, demerger, acquisition, or transfer of another company's shares shall prepare a full written

record of the following information and retain it for 5 years for reference.

- a. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
  - b. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
  - c. 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.
  - d. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report the basic identification data for personnel and dates of material events in a prescribed format and via the Internet-based information system to the FSC for recordation.
  - e. 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 shall sign an agreement with such company whereby the latter is required to abide by the provisions of the Subparagraph 2 of this Paragraph.
- C. Prior non-disclosure undertaking: All personnel of the companies participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- D. Principles for stipulation and change of share exchange ratio and acquisition price: The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares as follows:
- a. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

- b. An action, such as a disposal of major assets, that affects the company's financial operations.
  - c. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - d. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - e. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - f. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- E. Required contract content: The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
- a. Handling of breach of contract.
  - b. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - c. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  - d. The manner of handling changes in the number of participating entities or companies.
  - e. Preliminary progress schedule for plan execution, and anticipated completion date.
  - f. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- F. When there is change in the number of companies participating in merger, demerger, acquisition or transfer of share: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- G. Where any of the companies participating in a merger, demerger, acquisition, or



transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Subparagraphs (1), (2), (3) and (6) of Paragraph 2 of this Article and relevant regulations thereof.

**Article 15**      Procedures for public disclosure of information

1. Required announcement and report items and standards for announcement and report
  - A. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
  - B. Merger, demerger, acquisition, or transfer of shares.
  - C. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
  - D. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
    - a. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
    - b. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
  - E. Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
  - F. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.
  - G. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an

investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

- a. Trading of domestic government bonds or foreign bonds with credit rating no less than the sovereign credit rating of Taiwan.
- b. Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded note, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
- c. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

H. The amount of transactions described in the preceding Subparagraph (7) shall be calculated as follows, and the term of “within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

- a. The amount of any individual transaction.
- b. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- c. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- d. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

2. Time-limit for public announcement and report

Where any of the following circumstances occurs with respect to the Company acquiring or disposing assets, a public announcement and report shall be made according to the nature and required format within 2 days counting inclusively from the date of occurrence of the event:

3. Procedures for public announcement and report

A. The Company shall publicly announce and report relevant information on the

FSC designated website.

- B. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- C. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
- D. The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.
- E. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
  - a. Change, termination, or rescission of a contract signed in regard to the original transaction.
  - b. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - c. Change to the originally publicly announced and reported information.

Article 16      The control procedures of the Company on subsidiaries shall be handled according to the following:

1. A subsidiary of the Company shall handle acquisition or disposal of assets according to these Procedures, except for the circumstance that a subsidiary of the company stipulates the "Procedures for Acquisition or Disposal of Assets" based on the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and such Procedures are approved by the board of directors and resolution of the shareholders' meeting of the subsidiary. Where the transaction terms not exceeding the limits of authority delegated, the Chairman and the board of directors of the subsidiary are authorized to handle according to the internal authority for approval in hierarchy.
2. Information required to be publicly announced and reported in accordance with the provisions of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.
3. The paid-in capital or total assets of the Company shall be the standard applicable to

a subsidiary referred to these Procedures in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing.

4. Where the determination standard related to the obtaining of expert opinions and required procedures for transaction with a related party described in these Procedures is applicable to a subsidiary, the paid-in capital or total assets of the subsidiary shall be the standard applicable to such subsidiary.
5. In the case of a subsidiary whose shares have no par value or a par value other than NT\$10, then regarding the regulations for the calculation of transaction amounts of 20 percent of paid-in capital, 10 percent of equity attributable to owners of the parent shall be substituted; regarding the regulations for calculations of transaction amounts relative to paid-in capital reaching NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

**Article 17      Penalty**

Where an employee of the Company handling acquisition and disposal of assets violates the requirements specified in these Procedures, such employee shall be handled according to the work rules and employee evaluation regulations of the Company. In case where such violation leads to loss of the Company, such employee shall also bear the indemnification liability.

**Article 18      Supplemental Provisions**

Where there is any matter not specified in these Procedures or where there is any doubt in the application thereof, it shall be handled according to relevant laws. In case where no regulations are specified in the laws, such matter shall be handled according to relevant regulations of the Company or shall be disused by the board of directors of the Company for resolution.