

AUROTEK CORPORATION

Operating Procedures for the Acquisition or Disposal of Assets

Amended and approved by a resolution of
the Shareholders' Meeting on June 13, 2017

Article 1 Objective

The Operating Procedures are adopted for the purpose of safeguarding company assets and implementing information transparency.

Article 2 Statutory Basis

The Operating Procedures are adopted based on Article 36-1 of the Securities and Exchange Act (Hereinafter referred to as the Act) and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Financial Supervisory Commission. Unless other law otherwise requires, the Company shall acquire or dispose assets in accordance with the Operating Procedures.

Article 3 Scope of Assets

- 3.1. Securities, including investments in stocks, government bonds, corporate bonds, bank debentures, investment funds, depositary receipts, put and call warrants, beneficiary securities, and asset-backed securities.
- 3.2. Real property (including land, building, structure, investment property, right to use land) and other fixed assets.
- 3.3. Membership.
- 3.4. Intangible assets such as patent, copyright, trademark, and concession.
- 3.5. Creditor's rights of financial institutions, including accounts receivable, foreign currency buying, discount, lending, and nonperforming loans.
- 3.6. Derivatives.
- 3.7. Assets acquired or disposed in connection with mergers, spin-offs, acquisitions, or transfer of shares under the law.
- 3.8. Other significant assets.

Article 4 Definition of Term

- 4.1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

- 4.2. 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 referred to as transfer of shares) under Article 156, paragraph 8 of the Company Act.
- 4.3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.4. 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 other fixed assets.
- 4.5. 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.
- 4.6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- 4.7. Within one year means the year counted backward from the date of acquisition of disposal of the asset in issue, excluding the items which have been publicly disclosed.
- 4.8. The most recent certified financial statements means the latest financial statements certified or audited by a Certified Public Accountant (Hereinafter referred to as CPA) and duly published immediately before the acquisition or disposal of assets in issue.

Article 5 Investment Limit on Acquisition of Real Property or Securities for Non-Business Use

The Company and its subsidiaries are each subject to the following limits when acquiring the aforementioned assets:

- 5.1. The aggregate amount invested in real property for non-business use shall not exceed 15 percent of its net worth.
- 5.2. The aggregate amount invested in short-term/long-term securities shall not

exceed its net worth.

- 5.3. The aggregate amount invested in individual securities shall not exceed 60 percent of its net worth.

The net worth means the Equity of the latest financial statements certified or audited by a CPA.

Article 6

Any professional appraisers and their personnel, CPAs, Lawyers, and securities underwriters that are involved in the preparation and issuance of the appraisal reports or opinion letters of CPAs, Lawyers, or securities underwriters obtained by the Company shall not be a related party of any parties to the transaction.

Article 7 Operating Procedures for Acquisition or Disposal of Real Property and other fixed assets

7.1. Evaluation and Processing

In acquiring or disposing real property and other fixed assets, the Company shall comply with the fixed asset lifecycle management policy under the internal control system.

7.2. Procedures to Determine Transaction Terms and Approval Limits

7.2.1. In acquiring or disposing real property, the Board of Directors shall discuss and determine the transaction terms and price based on the current value published and assessed value of the property, as well as the prices of neighboring properties sold, and present an analysis report to the Chairman of the Board. Transactions of NT\$20 million or less shall be approved by the Chairman of the Board and ratified at the next Board meeting; transactions over NT\$20 million shall be approved by the Board of Directors in advance.

7.2.2. The acquisition or disposition of other fixed assets shall be determined in any of the following methods: by inquiring quotations, collecting and comparing quotations, negotiating prices, or through a bid process. Transactions of NT\$5 million or less shall follow the approval hierarchy pursuant to the authorization rules; transactions more than NT\$5 million shall be approved by the Board of Directors in advance.

7.2.3. When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the

Board, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Supervisors.

7.3. Execution Departments

After the transaction has been approved according to Article 7.2, the acquisition or disposition of real property or other fixed assets shall be executed by the using department and the managing department.

7.4. Appraisal Report on Real Property or Other Fixed Assets

In acquiring or disposing real property or other fixed assets in the amount of at least 20 percent of the Company's paid-in capital, or NT\$300 million or more, except in the case of transactions with government agencies, engaging another party to build on its own land or leased land, or acquiring or disposing other fixed assets for business use, the Company shall obtain appraisal reports from professional appraisers prior to the transaction and comply with the following rules:

7.4.1. If due to special circumstances, it becomes necessary to use a limited price, specific price or special price as reference base for the transaction price, the transaction shall be approved by resolution of the Board in advance; the same procedure shall apply for any future amendment to the transaction terms.

7.4.2. Appraisals by two or more professional appraisers are required if the transaction value is NT\$1 billion or more.

7.4.3. If the appraisal results by the professional appraisers indicate either of the following, except when each appraised value of the acquired assets is higher than the transaction value, or each appraised value of the disposed assets is lower than the transaction value, the Company shall engage an CPA to perform the appraisal pursuant to the Statements on Auditing Standards No. 20 issued by the Accounting Research and Development Foundation (Hereinafter referred to as ARDF) and render an opinion regarding the reason for discrepancy and adequacy of the transaction price:

(1) The discrepancy between the appraisal results and transaction value is 20 percent of the transaction value or more; or

(2) The discrepancy between the appraisal results of the two or more professional appraisers is 10 percent of the transaction value or more.

7.4.4. No more than 3 months shall have lapsed between the date of the report by each professional appraiser and the execution date of the transaction contracts; provided, however, an opinion may be issued by the original

professional appraiser where the current value published for the same period is applicable and no more than six months have lapsed.

- 7.4.5. If the Company acquires or disposes assets at a court auction, the Company may submit court documents in lieu of an appraisal report or CPA's opinion.

Article 8 Procedures for Acquisition or Disposal of Securities

8.1. Evaluation and Processing

The purchase and sale of long-term and short-term securities by the Company shall follow the investment lifecycle management policy under the internal control system.

8.2. Procedures to Determine Transaction Terms and Approval Limits

- 8.2.1. In making purchases or sales of securities that are traded on a centralized market or over-the-counter market, the authorized department shall make such determination based on market trends. Transactions of NT\$30 million or less shall be approved by the Chairman of the Board and reported in the next Board meeting; a report on the analysis of unrealized gains or losses shall also be submitted. Transactions more than NT\$30 million shall be approved by resolution of the Board of Directors in advance.
- 8.2.2. In making purchases or sales of securities that are not traded on a centralized market or over-the-counter market, the Company shall obtain the most recent financial statements of the issuing company certified or reviewed by a CPA prior to the transaction and consider its earnings per share, profitability, potential of future development with reference to the prices traded that time in evaluating the transaction price. Transactions of NT\$30 million or less shall be approved by the Chairman of the Board and reported in the next Board meeting; a report on the analysis of unrealized gains or losses of the long-term or short-term securities shall also be submitted. Transactions more than NT\$30 million shall be approved by resolution of the Board of Directors in advance.
- 8.2.3. When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Supervisors.

8.3. Execution Departments

After the transaction has been approved according to Article 8.2., the Company's investment in long-term/short-term securities shall be executed by the finance and accounting departments.

8.4. Expert Opinion

8.4.1. For acquisition or disposition of securities with transaction value of at least 20 percent of the Company's paid-in capital, or NT\$300 million or more, the Company shall consult with a CPA on the fairness of the transaction price prior to the date of occurrence of the event in the transaction; if the CPA decides to use the work of an CPA's expert, he/she shall comply with the Statements on Auditing Standards No. 20 issued by ARDF. However, this requirement does not apply to securities publicly quoted in an active market or where it is otherwise provided by the Financial Supervisory Commission (Hereinafter referred to as FSC).

(1) Securities acquired or disposed traded not on the stock exchange or Over-the-Counter Market.

(2) Securities acquired or disposed under private placement.

8.4.2. If the Company acquires or disposes assets at a court auction, the Company may submit court documents in lieu of an appraisal report or CPA's opinion.

Article 9 Acquisition and Disposition of Memberships and Intangible Assets

9.1. Evaluation and Processing

In acquiring or disposing memberships or other intangible assets, the Company shall comply with the fixed assets lifecycle management policy under the internal control system.

9.2. Procedures to Determine Transaction Terms and Approval Limits

9.2.1. In acquiring or disposing memberships, the Company shall consider their fair market value in determining the transaction terms and price, and present an analysis report to the president. Transactions in the value of 1 percent of the Company's paid-in capital or less, or NT\$3 million or less shall be approved by the Chairman of the Board and ratified at the next Board meeting; transactions over NT\$3 million shall be approved by the Board of Directors in advance.

9.2.2. In acquiring or disposing intangible assets, the Company shall consider expert evaluation or their fair market value in determining transaction terms and price, and present an analysis report to the chairman of the Board. Transactions in the value of 10 percent of the Company's paid-in capital or less, or NT\$20 million or less shall be approved by the

Chairman of the Board and ratified at the next Board meeting; transactions over NT\$20 million shall be approved by the Board of Directors in advance.

- 9.2.3. When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Supervisors.

9.3. Execution Departments

After the transaction has been approved according to Article 9.2, the acquisition or disposition of memberships or other intangible assets shall be executed by the using department and finance or administrative department.

9.4. Expert Opinion

- 9.4.1. For the transaction amount of memberships acquired or disposed exceeding 1 percent of the Company's paid-in capital or NT\$ 3 million, the Company must have an appraisal report composed by experts.

- 9.4.2. For the transaction amount of intangible assets acquired or disposed exceeding 10 percent of the Company's paid-in capital or NT\$ 20 million, the Company must have an appraisal report composed by experts.

- 9.4.3 For the transaction amount of memberships or other intangible assets acquired disposed exceeding 20 percent of the Company's paid-in capital or NT\$ 300 million, except in the case of transactions with government agencies, the Company shall consult with an CPA on the fairness of the transaction price prior to the date of occurrence of the event; the CPA shall follow the Statements on Auditing Standards No. 20 issued by ARDF.

Article 9-1

The calculation of transaction value under Articles 7, 8, and 9 shall follow Article 14 of the Procedures. "Within the last year" shall mean one year preceding the date of occurrence of the event in this transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion have been obtained need not be counted towards the transaction value.

Article 10 Related Party Transactions

- 10.1. The acquisition and disposition of assets by the Company with a related party shall follow relevant procedures in obtaining approvals and evaluating the

fairness of transaction terms. Transactions in the value of 10 percent or more of the Company's total assets will also require appraisal reports from professional appraisers or CPA's opinions. Transaction value shall be calculated according to Article 9-1 of the Procedures. In considering whether a counterparty to the transaction is a related party, both the legal form and the substance of the relationship between the parties shall be assessed.

10.2. Evaluation and Processing

In acquiring or disposing real property from or to a related party, or acquiring or disposing assets other than real property in the amount of at least 20 percent of the Company's paid-in capital, or 10 percent of the Company's total assets, or NT\$300 million or more, except in the case of sale and purchase of government bonds or bonds with repurchase or resale agreement, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may only proceed to enter into a transaction contract or make any payment after the following information has been submitted to the Supervisors for approval and adopted by resolution of the Board of Directors. The transaction amount referred to in the foregoing paragraph shall be calculated in accordance with paragraph 1, Article 14, and "within one year" referred to in the Operating Procedures shall mean one year before the date of occurrence of the current transaction. Transactions that have been approved by BOD and adopted by supervisors can be exempted.

- 10.2.1. The purpose, necessity and anticipated benefits of the acquisition or disposition of assets.
- 10.2.2. The reason in selecting the related party as a counterparty to the transaction.
- 10.2.3. With respect to the acquisition of real property from a related party, relevant information provided for the evaluation on the fairness of the proposed transaction terms and conditions pursuant to Article 10.3.
- 10.2.4. The date and price at which the related party originally acquired the assets, the original counter party, and the counterparty's relationship with the Company and the related party.
- 10.2.5. Monthly cash flow forecast for the year commencing from the proposed month of contract signing, and evaluation of the necessity of the transaction and the legitimacy of fund utilization.
- 10.2.6. The appraisal reports by professional appraisers or auditor's opinion obtained according to Article 10.1.
- 10.2.7. Restrictive covenants and other important stipulations of the current transaction.

- 10.3 With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's Board of Directors may pursuant to Paragraph 2 of Article 7 delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of directors meeting.
- 10.4. Evaluate Whether Transaction Costs Are Reasonable
- 10.4.1. In acquiring real property from a related party, the Company shall evaluate whether the transaction costs are reasonable according to the following methods:
- (1) The related party's transaction price plus interests on necessary funds and costs which are legally required to be borne by the buyer. "Interest on necessary funds" shall be calculated based on the weighted average interest rate of its borrowing during the year in which the Company purchases the real property, which shall not exceed the maximum lending interest rate for non-financial industry published by the Ministry of Finance.
 - (2) The total assessed lending value of the real property by a financial institution where the related party has created a mortgage as security for a loan from such financial institution; provided, however, the cumulative value of the loan granted by the financial institution based on such real property shall be at least 70 percent of the total assessed lending value, and more than one year of the loan period has lapsed. However, this method shall not apply if the financial institution is a related party to either party of the transaction.
- 10.4.2. If the land and the building(s) erected thereon are combined as a single property purchased in the same transaction, the transaction costs of the land and the building(s) may be separately evaluated according to either of the methods stated in Article 10.4.1.
- 10.4.3. In acquiring real property from a related party, the Company shall evaluate the costs pursuant to Article 10.4.1 and Article 10.4.2 and engage an auditor to review and render an opinion on the evaluation.
- 10.4.4. If the evaluation results of the acquisition of real property from a related party by the Company pursuant to Article 10.4.1 and Article 10.4.2 are both lower than the transaction price, the transaction shall be processed according to Article 10.4.5. However, the above shall not apply if any of the following circumstances occur and the Company is able to present objective evidence and obtain opinions from

professional real property appraiser and auditor on whether the transaction costs are reasonable:

- (1) If the related party acquires or leases an undeveloped land for building purposes and is able to produce evidence that any of the following conditions is met:
 - (a) The total value of the undeveloped land, assessed pursuant to Article 10.4.1, and the buildings, assessed based on the construction costs and reasonable construction profits of the related party, exceeds the final transaction price.
“Reasonable construction profits” shall mean the average gross operating margin of the related party’s construction division in the most recent three years, or the gross margin for the construction industry most recently published by the Ministry of Finance, whichever is lower.
 - (b) Transactions completed by non-related parties within the last year which involve units on other floors of the same property or other real property in neighboring areas, where it’s similar in size and the transaction terms are comparable after taking into account a reasonable price difference in floors or area according to the common practice of real property sales.
 - (c) Property leased by non-related parties within the last year involving units on other floors of the same property, where the transaction terms are comparable after taking into account a reasonable price difference in floors according to the common practice of real property sales.
- (2) The Company is able to produce evidence that the transaction terms of the real property purchased from the related party are comparable to other transactions completed within the last year by non-related parties for the acquisition of similar sized property in neighboring areas. “Transactions completed in neighboring areas” in the preceding paragraph shall mean property that is located on the same or adjacent block which is within 500 meters, or property with similar current value published. “Similar sized” shall mean other transactions completed by non-related parties that are no less than 50 percent of the size of the property in the current transaction. “Within the last year” shall mean within one year preceding the date of the acquisition of the real property in the current transaction.

10.4.5. If the evaluation results of the acquisition of real property from a related party by the Company pursuant to Article 10.4.1 and Article 10.4.2 are both lower than the transaction price, the following steps shall be taken:

- (1) The difference between the real property transaction price and evaluated costs shall be set aside as special surplus pursuant to Article 41, Paragraph 1 of the Act, and may not be used for dividend distribution or issuance of bonus shares to raise additional capital. Public companies using the equity method to account for their investment in the Company shall also set aside a special surplus pursuant to Article 41, Paragraph 1 of the Act in the amount pro rata to the number of shares held in the Company.
- (2) The Supervisors of the Company shall comply with Article 218 of the Company Act.
- (3) Actions taken under subparagraphs (1) and (2) herein shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and prospectus of the Company.

Subject to FSC approval, the Company and other public companies under subparagraph (1) herein that have set aside a special reserve under the preceding paragraph may not utilize the special reserve until the assets purchased at a premium have been recognized as loss due to decline in market value, or have been disposed of, or adequate compensation has been made, or the original state has been restored, or there is evidence confirming that the transaction costs are reasonable.

10.4.6. If the acquisition of real property from a related party meets any of the following conditions, the Company will only be subject to Article 10.1 and provisions regarding evaluation and processing under Article 10.2; provisions governing the evaluation of whether transaction costs are reasonable under Articles 10.4.1, 10.4.2, and 10.4.3 would not apply:

- (1) The related party acquires the real property by way of succession or a gift.
- (2) More than five years have lapsed from the time when the related party entered into a contract to acquire the real property, to the contract execution of this transaction.
- (3) The Company acquires the real property as a result of entering into a joint construction contract with the related party, or engaging

- the related party to build on the Company's own land or leased land.
- 10.4.7. If the acquisition of real property by the Company from a related party indicates any transaction irregularities, it shall follow the steps provided in Article 10.4.5.

Article 11 Acquisition and Disposition of Creditor's Rights of Financial Institutions

In general, the Company does not engage in transactions involving the acquisition or disposition of creditor's rights of financial institutions. If the Company wishes to enter into such transactions in the future, the Board of Directors will adopt an evaluation and processing procedure after the proposals are submitted and approved by the Board of Directors.

Article 12 Derivatives

12.1. Principle and policy of transaction

12.1.1. Types of Transactions

- (1) Derivatives means the transaction contracts the value of which is derived from assets, interest rates, exchange rates, indices or the interests in any of the above (such as forward contracts, options contracts, futures, swap and compound contracts of a combination of the above).
- (2) Bond margin trading related issue shall comply with the relative rules of this procedure. Transaction of bond under repurchase agreement could be exempt from this procedure.

12.1.2. Operational or Hedging Strategies

Transactions in derivative products carried out by the Company are divided into transactions for hedging purpose and transactions that are not for hedging purpose (i.e., for transaction purpose). The strategy shall be to focus on the main purpose of hedging. The main selection of transaction products shall be for avoiding the risk of foreign exchange income, expense, asset or indebtedness incurred from the operation of the Company's business. In case of any change of objective environment, "non-hedging transactions" in derivative products may be engaged at appropriate timing in the market in order to increase additional non-operational income or reduce non-operational loss. Further, to the extent possible, the selected transaction counterparties shall be financial institutions that have business dealings with the Company in order to avoid credit risk. The type of transaction shall be clearly defined as hedging transaction or financial operation in pursuit of investment return prior to the

transaction as the basis for accounting.

12.1.3. Different roles and responsibility

(1) Finance Department

A. Finance officers

Execute trade in accordance with delegated authority of foreign exchange strategy.

B. Accounting officers

- a. Confirm trade and execute settlement.
- b. Review if the trade is executed in accordance with planned strategy and delegated authority.
- c. Conduct appraisal every month and report to the Present.
- d. Process accounting treatment.
- e. File in declaration and announcement in accordance with administration regulation.

C. Authority delegation

a. Authority for hedging transaction

Approved by	Daily trade authorized limit
CFO	US\$ 1 Million and below
Present	US\$ 2 Million and below
Chairman	Over US\$ 2 Million

- b. When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Supervisors.

(2) Auditor Department

The Company's internal audit department shall make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the finance department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, a report immediately made to the Board of Directors.

(3) Performance Evaluation

- A. Hedge Trade
 - a. The evaluation shall be based on comparing the foreign exchange cost on the Company's book with the profit and loss from derivatives trading.
 - b. To fully contain and express the appraisal risk of transaction, the Company implement monthly appraisal method to evaluate profit and loss.
 - c. Finance department shall provide the appraisal of foreign exchange position and foreign exchange market trend and analysis to the President for management purpose and guidance.

- B. Special purpose trade limit

The assessment shall be based on the actual profit and loss, and accounting officer shall periodically compile position into report for managers' reference.

(4) Setting the cap for total contract value and loss

- A. Total contract value

- a. Hedging purpose transaction amount

Hedging purpose transaction amount could not exceed the total hedged net position of the Company.

- b. Non-Hedge Hedging purpose transaction amount

It could not exceed USD\$ 3 million.

- B. Setting loss cap

- a. Hedge Trade

The cut loss point for the entire exposure and individual contract is 20% of the contract amount.

- b. Non-Hedge Trade

① The cut loss point for the individual contract is not exceed USD\$ 20 thousand or 5% of the contract amount.

② The cut loss point for the entire exposure contract is not exceed USD\$ 100 thousand.

If the loss amount exceeds the cut loss point, such event shall be immediately reported to the President for discussion of necessary counter measures.

12.2. Risk management

12.2.1. Credit risk management:

In consideration of the changing market, risks management in connection with the operation of derivatives transactions shall be administered in accordance with the following principles:

The transaction counterparts shall mainly be well known local or foreign financial institutions.

The commodity transacted shall be among those offered by local or foreign financial institutions.

The total uncovered transaction amount with respect to the same transaction counterpart shall not exceed 10% of the total authorized amount except as otherwise approved by the President.

12.2.2. Market risk management:

The operation shall focus on the public foreign exchange transaction provided by banks without regard to the futures market.

12.2.3. Cash flow risk management:

In consideration of stable working capital, the Company shall basically conduct derivatives transactions by using self-owned fund and take into account the capital calls forecast for the next three months when deciding the amount to be applied to conduct derivatives transactions.

12.2.4. Operational risk management

(1) The transactions shall be conducted within the relevant authorized amount in full compliance with the procedure for operation and put under internal control to prevent operational risks.

(2) The personnel conducting derivatives must not act concurrently as the personnel responsible for making the relevant verification and delivery and vice versa.

(3) The personnel responsible for weighing, monitoring and controlling the risks and the personnel provided in the preceding subparagraph must be serving in different departments of the Company and they must report to the Board of Directors or a high-ranking managerial officer who is not in charge of the transaction or decision-making on the positions to be taken.

(4) The positions taken by derivatives transaction shall be evaluated at least once a week except hedging transactions which have been conducted to meet business needs and which shall be evaluated twice a month. The evaluation report shall be submitted to the relevant high-ranking managerial officer authorized to do so by the Board of Directors.

12.2.5. Commodities risk management

Internal trading personnel must have complete and accurate special knowledge with respect to derivatives and shall request the bank for

full disclosure of risks in order to prevent the risk of utilizing inappropriate commodities.

12.2.6. Legal risk management

In consideration of prevention of possible legal risks, documents to be entered into by and between the Company and financial institutions must be examined in advance by personnel with special knowledge in foreign exchange and the legal compliance personnel or by the legal counsel.

12.3. Internal audit policy

12.3.1 Internal audit personnel must conduct periodical audit of the acceptability of the internal control with respect to derivatives transactions and, on a monthly basis, audit the compliance with the procedure for derivatives transactions by the departments responsible for the transactions and evaluate the transaction cycle, produce the relevant internal reports, and give a written notice of any material breach to the Supervisors.

12.3.2. The internal audit personnel shall, by the end of February the following year, submit the internal audit report and the annual internal audit inspection report to the FSC and report the correction of irregularities (if any) to the FSC by the end of May the following year.

12.4. Periodical evaluation

12.4.1. The Board of Directors shall authorize high-ranking managerial officers to supervise and evaluate, on a regular basis, the compliance of the procedure for derivatives transactions and the acceptability limits on risks, as well as report to the Board of Directors upon finding of any irregularity in the market value evaluation report (e.g. a position taken having exceeded the limit of loss), and take proper measures in response.

12.4.2. The positions taken by derivatives transaction shall be evaluated at least once a week except hedging transactions which have been conducted to meet business needs and which shall be evaluated twice a month. The evaluation report shall be submitted to the relevant high-ranking managerial officer authorized by the Board of Directors. The evaluation reports shall be provide for the Chairman of the Board of Directors or the authorized managerial officers of the Chairman for management purpose and guidance.

12.5. Principles of supervision and control of derivatives transactions by the Board of Directors

12.5.1. The Board of Directors shall appoint high-ranking managerial officers

to oversee and control the risks from derivatives transactions from time to time according to the following principles:

- (1) Suitability of the current risk management measures and the compliance of the Company' s procedure for derivatives transactions should be evaluated on a regular basis.
 - (2) Necessary measures shall be taken upon finding of any irregularity with respect to the transaction and profit (loss) from the transaction. Such finding must be reported to the Board of Directors immediately and the relevant opinion expressed by the Independent Director shall be heard at the relevant meeting.
- 12.5.2. Performance consistency of derivatives transactions with the relevant operation policy and the acceptability limit of risks must be evaluated on a regular basis.
 - 12.5.3. Where the relevant personnel have been authorized pursuant to the procedure for derivatives transactions to handle the transaction, the transaction shall be reported to the Board of Directors after the transaction.
 - 12.5.4. The Company shall maintain a derivatives transactions record book in which the type, value, date of the relevant resolution adopted by the meeting of the Board of Directors, and the matters subject to evaluation provided in paragraphs 12.4.2., 12.5.1. and 12.5.2. of this Article of each transaction shall be indicated in detail for reference.

Article 13 Mergers, Spin-offs, Acquisitions, and Transfer of Shares

13.1. Evaluation and Processing

- 13.1.1. In conducting mergers, spinoffs, acquisitions, or transfer of shares, the Company is advised to consult with Lawyers, CPAs, or securities underwriters on the estimated timeline of the legal procedures required for the transaction, and put together a team for the project to implement the steps according to the legal procedures. Prior to convening the Board meeting, the Company shall also engage CPAs, Lawyers, or securities underwriters to render opinions on the fairness of the share exchange ratio, acquisition price, or distribution to the shareholders in cash or in kind. The proposal shall then be submitted to the Board of Directors for discussion and approval.
- 13.1.2. Prior to the shareholders meeting, the Company shall prepare disclosure documents to the shareholders and include important contractual terms and relevant matters of the merger, spin-off or acquisition. Such

documents shall be delivered along with the expert opinion referred to in Article 13.1.1 and notice of meeting to the shareholders as reference in determining whether to approve the transaction. However, this provision does not apply to mergers, spin-offs, or acquisitions that are exempt from the requirement to convene a shareholders meeting to adopt a resolution. If any company involved in a merger, spin-off, or acquisition fails to convene a shareholders meeting or reach a resolution due to lack of quorum or voting rights or other legal restrictions, or the proposal is rejected by the shareholders meeting, such company shall immediately provide a public statement explaining the reasons why the transaction fails to be completed, follow-ups, and proposed date of the next shareholders meeting.

13.2. Other Important Information

- 13.2.1. Dates of the Board meeting: Unless otherwise provided by the law, or the approval of FSC has been obtained in advance due to special circumstances, any company involved in a merger, spin-off, or acquisition shall call a Board meeting and shareholders meeting on the same day as other participating companies to approve matters relevant to such merger, spin-off, or acquisition. Unless otherwise provided by the law, or the approval of FSC has been obtained in advance due to special circumstances, any company involved in a transfer of shares shall call a Board meeting on the same day as other participating companies.
- 13.2.2. Confidentiality: Prior to the transaction becomes public, every person that is involved in or know of the merger, spin-off, acquisition, or share transfer plan of the Company shall sign a written confidentiality agreement to undertake that he/she will not disclose details of the plan to any other party, and will not trade, in his/her own name or in a nominee account, any shares or equity securities issued by the companies involved in the merger, spin-off, acquisition, or transfer of shares.
- 13.2.3. Principles of setting and adjusting share exchange ratio and acquisition price: Prior to convening the Board meetings, each company involved in the merger, spin-off, acquisition, or transfer of shares shall engage CPAs, Lawyers, or securities underwriters to render opinions on the fairness of the exchange ratio, acquisition price, or distribution to the shareholders in cash or in kind. The proposal shall then be submitted to the shareholders meeting for approval. Generally,

the share exchange ratio and acquisition price may not be arbitrarily altered unless clauses specifying conditions where adjustment is permitted are included in the contracts and have been disclosed to the public. The conditions are as follows:

- (1) Raising additional capital by way of cash, or issuance of convertible corporate bonds, bonus shares, corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity securities.
- (2) Actions involving the disposition of material assets of the Company which would have an effect on the financial operations of the Company.
- (3) An event such as major disaster or significant innovation in technology which has an effect on the shareholder interests or share price of the Company.
- (4) An adjustment made due to repurchase of their own shares under the law as treasury stocks by any of the companies involved in the merger, spin-off, acquisition, or transfer of shares.
- (5) Changes in the entities involved in the merger, spin-off, acquisition, or transfer of shares, or increase or decrease in number of the companies involved.
- (6) There are other conditions stipulated in the transaction contracts where changes are permitted which have been disclosed to the public.

13.2.4. Mandatory clauses in the transaction contracts: Except as otherwise provided in Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, a merger, spin-off, acquisition, or share transfer contract shall include the following:

- (1) Breach and default.
- (2) Principles of handling equity securities previously issued or bought back as treasury stocks by the dissolving company in a merger or by the spun-off company.
- (3) The number of shares participating companies are allowed to purchase as treasury stocks under the law after the record date to calculate the share exchange ratio, and the principles of handling such matters.
- (4) Manners in handling changes in entities involved in the transaction, or decrease or increase in number of entities involved.
- (5) Proposed implementation schedule and completion date.

- (6) Relevant procedures such as the proposed date to convene shareholders meeting mandated by the law if the transaction fails to be completed as scheduled.
- 13.2.5. Changes in the number of companies involved in the merger, spin-off, acquisition or transfer of shares: After the merger, spin-off, acquisition, or transfer of shares becomes public, if any participating company contemplates in entering into the merger, spin-off, acquisition, or transfer of shares with another company, all the companies involved shall redo the same procedures and legal actions that have been completed under the original transaction. Except where the number of participating company decreases, and the shareholders meetings of other remaining participating companies have adopted a resolution authorizing the Board of Directors to make any changes, in which case, no additional resolutions from the shareholders meetings will be required.
- 13.2.6. If there is any non-public company involved in a merger, spin-off, acquisition, or transfer of shares, the Company shall enter into agreements with such non-public company and comply with the provisions governing the dates of the Board meeting and shareholders meeting in Article 13.2.1, confidentiality undertaking in Article 13.2.2, and changes in number of companies involved in the merger, spin-off, acquisition, or transfer of shares in Article 13.2.5.
- 13.2.7. If the companies involved in merger, spin-off, acquisitions or transfer of shares go public or are traded in a securities market, the information stipulated (ex. basic information of personnel & dates of material events) shall be submitted in defined format through the internet information system to FSC for reference check within 2 days of the resolution being adopted by the board of directors.

Article 14 Information Disclosure

14.1. Required Filings and Standards

- 14.1.1. Acquisition or disposition of real property from or to a related party, or acquisition or disposition of assets other than real property from or to a related party where the transaction value is at least 20 percent of the paid-in capital of the Company, or 10 percent of the total assets of the Company, or NT\$ 300 million or more. However, this does not apply to purchase and sale of government bonds, bonds with repurchase or resale agreement, or subscription or repurchase of money market funds

issued by domestic securities investment trust enterprises.

- 14.1.2. Merger, spin-off, acquisition, or transfer of shares.
- 14.1.3. Derivatives trading losses which exceed the limit of aggregate losses or losses from individual contracts set forth in the procedures adopted by the Company.
- 14.1.4. Asset transactions other than set forth in Article 14.1.1 to Article 14.1.3, disposition of creditor's rights by financial institutions, or investments in Mainland China where the transaction value is at least 20 percent of the paid-in capital of the Company, or NT\$ 300 million or more. However, this does not apply to the following transactions:
 - (1) Purchase and sale of government bonds.
 - (2) Trading of securities on an overseas or domestic exchange or over-the-counter market, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the domestic primary market as investment professionals.
 - (3) Purchase and sale of bonds with repurchase or resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.
 - (4) A transaction where the type of assets acquired or disposed are other fixed assets for business use, the counterparty is not a related party, and the transaction value is under NT\$ 500 million.
 - (5) The subject real property is to be acquired or disposed of by the construction business division of the Company for construction use and the transaction counterpart is a non-related party and the transaction value is less than NT\$ 500 million.
 - (6) The real property is acquired through an arrangement of engaging another party to build on its own land or leased land, space sharing or profit sharing under joint construction of buildings, or joint construction of buildings that are separately sold, and the amount of money the Company is prepared to invest in the transaction is less than NT\$ 500 million.
- 14.1.5. The transaction value shall be calculated as follows:
 - (1) The amount of each transaction.
 - (2) The cumulative amount of the acquisition or disposition of the same type of assets with the same counterparty within the last year.
 - (3) The cumulative amount of the acquisition or disposition of real property under the same development project within the last year.

The amount of acquisition and disposition of real property shall be calculated separately.

- (4) The cumulative amount of acquisition or disposition of the same securities within the last year. The amount of acquisition and disposition of securities shall be calculated separately.

“Within the last year” shall mean one year preceding the date of occurrence of the event in the transaction. Items which have been filed pursuant to the Procedures need not be counted towards the transaction value.

14.2. Time period for making public disclosure

If the acquisition or disposal of assets involves any item which should be published pursuant to paragraph 1 of this Article and the transaction value meets the public disclosure standards provided in this Article, the Company shall make a public disclosure on such acquisition or disposal of assets within two days following the date of occurrence of such transaction.

14.3. Filing Procedures

- 14.3.1. The Company shall cause the relevant information publicly disclosed on the website designated by the FSC.

- 14.3.2 The Company shall on a monthly basis make a report on the derivatives transactions conducted in the month by itself and its local subsidiaries which are not public companies on the website designated by the FSC in the form and substance required by the tenth day the following month.

- 14.3.3. If the Company, at the time of filing, makes any error or omission in an item to be filed which requires correction, all the items shall be re-filed within two days of knowledge of the error or omission.

- 14.3.4. In acquiring or disposing assets, the Company shall maintain all relevant contracts, meeting minutes, logbooks, appraisal reports, and the opinions of an auditor, lawyer, or underwriter at the Company’s place of business. Unless otherwise provided by the law, these records shall be kept for at least five years.

- 14.3.5. If any of the following occurs after the Company has filed the information with regard to the transaction pursuant to the preceding paragraph, the Company shall submit relevant information on the website designated by FSC within two days as of the date of occurrence of the event:

- (1) There has been an amendment, termination, or rescission of the contracts executed in the original transaction.
- (2) The merger, spin-off, acquisition, or transfer of shares has not been completed according to the proposed schedule as provided in

the contracts.

(3) There has been a change in the original filing.

12.4. The reporting projects, reporting standard, reporting period, and reporting procedures of the Company's assets acquisition and disposition is announced in accordance with the requirements of the competent authorities.

Article 15

The Company's subsidiaries shall comply with the following rules:

- 15.1. The subsidiaries shall adopt their own Procedures for the Acquisition and Disposition of Assets according to the Procedures for the Acquisition and Disposition of Assets by Public Companies.
- 15.2. In acquiring or disposing assets, the subsidiaries shall also follow the rules set forth by the Company.
- 15.3. If the acquisition or disposition of assets by a non-public subsidiary is subject to the filing requirement stated in Article 13, the parent company shall file the information on behalf of such subsidiary.
- 15.4. For the purpose of the filing requirement of subsidiaries, "at least 20 percent of the paid-in capital or 10 percent of the total assets of the company" shall mean the paid-in capital or total assets of the Company (parent company).

The transaction restriction at 10% of total assets in the Operating Procedures shall be calculated in accordance with the amount of total capital disclosed in the latest individual financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Where shares have no par value or a par value other than NT\$10, the transaction restriction at 20% of paid-in capital in the Operating Procedures shall be calculated at 10% of the equity attributed to owners of the parent company.

Article 16 Penalty

Any employee of the Company who has handled acquisition or disposal of asset for the Company in breach of these Rules shall be subject to periodical evaluation according to the personnel administration rules and employees handbook and punished according to the degree of severity of the breach.

Article 17 Implementation and amendment

Subject to the approval by the meeting of the Board of Directors, the Board of Directors shall submit the Operating Procedures for Acquisition or Disposal of Assets and all subsequent amendment thereto to Supervisors and to the Shareholders Meeting for approval. When a transaction involving the acquisition or disposition of assets

is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Supervisors.

Article 18 Miscellaneous

All matters not specifically provided for in the Procedures shall be governed by the applicable laws.