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|  直澤科技股份有限公司 CHIEFTEK PRECISION CO.,LTD. | Document Name | Procedures for Governing Acquisition or Disposal of Assets | Version | 7 |
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Article 1: Purpose

The Regulations are established for purposes of strengthening assets management, guaranteeing investment and making information publicly available.

Acquisition or disposal of assets in the Company shall be subject to the Regulations.

Article 2: Foundation

The Regulations are subject to Article 36-1 of Securities and Exchange Act (hereinafter referred to as the Act) and the provisions of Guidelines for Handling Acquisition and Disposal of Assets by Public Companies announced by the Financial Supervisory Commission of ROC (hereinafter referred to as FSC).

Article 3: Range of the assets

The term "assets" as used in these Regulations includes the following:

- (1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- (2) Real property (including land, houses and buildings, real property for investment purpose, rights to use land, and inventories of construction enterprises) and equipment.
- (3) Memberships.
- (4) Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- (5) Right-of-Use Assets thereof
- (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 laws.
- (9) Other major assets.

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Article 4: Nominal Definition

1. Financial 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 laws: It 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 parties or subsidiaries: It refers to the subsidiaries and related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: It 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: It refers to the date of contract signing, date of payment, date of consignment trade, date of title transferring, dates of board resolutions, or other date when the transaction party and the transaction amount can be ascertained, 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, whichever is earlier.
6. Mainland China area investment: It 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.

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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. For the calculation of 10 percent of total assets under these Regulations, it is based on the total assets stated in the entity or individual financial statement in the most recent period as required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
11. People who own company shares that are non-denomination or denomination per share of NT\$10, this procedure provides for the transaction amount of 20% of the collected capital amount, calculated on the basis of the equity attributable to the owner of the parent company 10%. Provisions on the amount of transactions in which the paid-in capital amounts to NT\$ 10 billion are calculated on the basis of BT\$ 20 billion in the interest attributable to the owners of the parent company.

Article 5: Exclusion of related persons

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 requirement:

1. May not have previously received a final and unappeasable the following requirement: 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, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of

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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 related parties or de facto related parties of each other.
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 following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When examining 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.
3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, 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.
4. 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 reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 6: Procedures for Acquisition or Disposal of Immovable Property, Equipment or Assets of their right to use

1. Procedures for Evaluating and Operating
The company obtains or disposes of real estate ,equipment or its right-of-use assets thereof, in accordance with the company's internal control system of real estate, factory, and cycle-equipment related regulations.
2. Determination of transaction terms and authorized limit
(1) The terms and prices for the acquisition or disposal of real property shall be based on the publically announced value, appraised value, actual closing prices for nearby real properties. The transaction amount below NT\$50 million (included) shall be approved by the Chairman and compiled in a report for submission to the Board Meeting in the most recent period after

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the transaction. For the amount above NT\$50 million, it shall be approved by the Chairman and passed by the Board before implementation.

- (2) The acquisition or disposition of equipment or its right-of-use assets thereof, shall be made by way of inquiry, price comparison, bargaining or tender. Those whose amount is below NT\$50,000,000, shall be approved step by step in accordance with the nuclear Authority management procedures; those who exceed the NT\$50,000,000 are appointed after the approval of the Board of Directors.

3. Execution Unit

When the company acquires or disposes of real property or equipment or its right-of-use assets thereof, shall be carried out by the user department and the relevant unit of responsibility after the decision has been made in accordance with the preceding decision.

4. Appraisal report of the real property or equipment

Valuation Report on Real Estate, Equipment or its right-of-use assets thereof.

The company acquires or disposes of real property or equipment or its right-of-use assets thereof, in addition to transactions with domestic government agencies, self-district committee construction, Rental District Committee construction, or acquisition, disposal of equipment for business use or its right-of-use assets thereof, those whose transaction amount is up to 20% or NT\$ 300,000,000 for the company's paid in capital, shall obtain a valuation report issued by a professional valuer before the fact occurs, and shall meet the following requirements:

- (1) When the price, specific price or special price shall be used as the reference for the transaction price for special reasons, the transaction shall be firstly approved by resolution of the Board of Trustees, and the same shall apply as to the change of trading condition hereafter.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) 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 in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (hereinafter referred to as the ARDF) and render a specific opinion regarding the reason for the discrepancy and the

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appropriateness of the transaction price:

1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the 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.
- (5) 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.
5. The calculation of the transaction amount shall be done in accordance with Subparagraph 1 (8) of Article 12 herein, 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 need not be counted toward the transaction amount.

Article 7: Procedures of acquisition or disposal of securities

1. Evaluation and implementation procedures
The transaction procedures of acquisition or disposal of securities shall be subject to the Investment Cycle Procedure under the Internal Control System of the Company.
2. Determination of transaction terms and authorized limit
 - (1) Trading securities with publicly quoted prices in the active market shall be decided in accordance with the market information by the responsible unit. The respective transaction amount below NT\$50 million (included) shall be approved by the Chairman authorized by the Board. The respective transaction amount above NT\$50 million shall be approved by the Board before implementation.
 - (2) Trading securities without publicly quoted prices in the active market shall, before 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, with consideration of net value per share, profit-making ability, and future expanding potential. The respective transaction amount below NT\$50

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million (included) shall be approved by the Chairman authorized by the Board. The respective transaction amount above NT\$50 million shall be approved by the Board before implementation.

3. Execution

The financial unit shall be responsible for the execution of acquisition or disposal of securities upon the approval based on the approval authorization set forth in the preceding subparagraph.

4. Expert opinion

- (1) 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 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 a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. 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).
- (2) If the Company acquiring or disposing of securities meet the following regulations, it shall not apply to the provisions that it shall obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, and that it shall additionally engage a certified public accountant to provide an opinion regarding the reasonableness of the transaction price when the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, as stipulated in Article 10 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies:
 1. Securities acquired through cash contribution in incorporation by promotion or by public offering in accordance with the Company Act, the securities entitlement obtained with equivalent capital contribution ratios.
 2. Securities issued at face value by an issuing company carrying out a cash capital increase in accordance with relevant laws and regulations, with this Corporation as a sponsor of the issue.

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3. Securities issued by an investee company wholly invested by this Corporation that is carrying out a cash capital increase, with this Corporation as a sponsor of the issue.
4. Securities listed and traded on the Taiwan Stock Exchange (TWSE) or on the GreTai Securities Market (GTSM) and emerging stocks.
5. Government bonds or bonds in repurchase or reverse purchase agreements.
6. Domestic funds or overseas funds.
7. TWSE or GTSM listed securities acquired or disposed of in accordance with the TWSE or GTSM rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.
8. Securities acquired through this Corporation's sponsorship of a cash capital increase by a public company, when the securities acquired are not privately placed.
9. Subscription to domestic private placement funds before the establishment of a fund in accordance with paragraph 1 of Article 11 under the Securities Investment Trust and Consulting Act, or subscription or redemption of domestic private placement funds, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.

(3) 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.

5. The calculation of the transaction amounts shall be done in accordance with Subparagraph 1 (8) of Article 12 herein, 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 need not be counted toward the transaction amount.
6. The Company shall not waive its subscription right in the rights issue of cpc Europa GmbH and CHIEFTEK PRECISION HOLDING CO.,LTD.(hereinafter referred to as CHIEFTEK HOLDING). CHIEFTEK HOLDING shall not waive its subscription right in the rights issue of CHIEFTEK PRECISION USA CO.,LTD. and CHIEFTEK PRECISION(Hong Kong) Co. Ltd. (hereinafter referred to as CHIEFTEK Hong Kong), and CHIEFTEK Hong Kong shall not waive its subscription right in the rights issue of CHIEFTEK Machinery(Kunshan) Co. Ltd. in the fiscal years going forward.

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Provided that any of the above-mentioned subscription rights is waived or the disposal of the shares of the abovementioned companies is made by one of such companies in the future for the purpose of strategic alliance or other circumstances approved by the Taipei Exchange, such waiver or disposal shall be passed by special resolution of CPC Board.

Article 8: Procedures for acquisition or disposal of intangible assets or right-of-use assets thereof or memberships

1. Procedure for valuation and operation

The company acquires or disposes of the transaction process of intangible assets or right-of-use assets thereof or memberships, shall in accordance with the related regulations of the company's internal control system of real estate, factories and cycle-equipment..

2. Determination of transaction terms and authorized limits

(1) In acquiring or disposing a membership, if the amount is below NT\$50 million, the terms and price shall be determined level by level based on the authorization regulations by referring to the fair market value of such membership. The approval of the Board shall be required where the amount exceeds NT\$50 million before implementation.

(2) When acquires or disposes of intangible assets or right-of-use assets thereof, shall refer to valuation report of the professionals or fair value. Resolution of trading conditions and transaction prices, the amount of which is below NT\$ 50,000,000 (inclusive), shall approved by the Chairman and make a presentation at the recent Directors' meeting. Those who exceed NT\$ 50,000,000, could start it after the adoption of the Board Directors.

3. Execution Unit

When the company acquires or disposes of or intangible assets or right-of-use assets thereof or memberships, shall be carried out by the user department and the relevant unit of responsibility after the decision has been made in accordance with the preceding decision.

4. Professionals' assessment report on intangible assets or right-of-use assets thereof or memberships.

When 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\$300,000,000 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 CPA shall comply with the

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provisions of Statement of Auditing Standards No. 20 published by the ARDF.

5. Where a public 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.
6. The calculation of the transaction amounts shall be done in accordance with Subparagraph 1 (8) of Article 12 herein, 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 need not be counted toward the transaction amount.

Article 9: Procedure for the transaction of related party

1. Where acquiring assets from or disposing of assets to a related party, the Company shall go through the related resolution procedures and evaluate the reasonableness of the transaction terms based on the provisions of Article 6-9. When the transaction amount reaches 10 percent or more of total assets, the Company shall obtain an appraisal report from a professional appraiser or an opinion from a certified public accountant in accordance with Article 6-8. The calculation of the transaction amounts shall be done in accordance with Subparagraph 1 (8) of Article 12 herein, 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 need not be counted toward the transaction amount.

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

2. Procedure for Valuation and Operation

When the company intends to acquire or dispose of real property or right-of-use assets thereof from a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from a related party and 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, except in 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, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:

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- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a transaction counterparty.
- (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 9 paragraph 3, section 1 to 4 and 6.
- (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and relationship to the company as well as the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 12, paragraph 1, section 8 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the supervisors need not be counted toward the transaction amount.

Where an audit committee has been established in accordance with the provisions of the Act, the matters for which regulation requires recognition by the supervisors shall first be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

When to acquire or dispose the equipment for business operation between the company and its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may pursuant to Article 6, paragraph 2, Article

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7, paragraph 2 and Article 8, paragraph 2 delegate the board chairman 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:

- (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (2) Acquisition or disposal of real property right-of-use assets held for business use.

3. Reasonable Valuation of Transaction cost

- (1) The company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 1. It shall be based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 2. It shall be the 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 trading counterparties.
- (2) 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 Article 9, paragraph 3, section 1.
- (3) 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 Article 9, paragraph 3, section 1 and section 2 shall also engage a CPA to check the appraisal and render a specific opinion.
- (4) The company that acquires real property or right-of-use assets, when the results of the company's appraisal conducted in accordance with Article 9,

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paragraph 3, section 1 and section 2 are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 9, paragraph 3, section 5. 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:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in subparagraph(1-3), and subparagraph(6) of paragraph 3 under Article 9, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) 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.
2. Where the company acquiring real property or obtaining real property right-of-use asset through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
3. 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

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the acquisition of the real property or obtainment of the right-of-use assets thereof.

- (5) Where the company acquires real property or right-of-use assets from a related party and the results of appraisals conducted in accordance with Article 9, paragraph 3, section 1 to section 4, are uniformly lower than the transaction price, the following steps shall be taken. Where the company or the company uses the equity method to account for its investment in a public company, then the special reserve called for under the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. 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.
1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property and right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
 2. Supervisors shall comply with Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.
 3. Shall report to the shareholders' meeting the processing subsequences of the first and second of the section, and the details of the transaction will be disclosed in the annual report as well as annual handbook.
- (6) Where the company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 9, paragraph 2, and Article 9, paragraph 3, section 1 to section 3 does not apply:

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1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
 3. 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.
 4. The real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (7) When a public company obtains real property from a related party, it shall also comply with Article 9, paragraph 3, section 5 if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 10: Procedures for acquisition or disposal of derivatives

1. Transaction principles and policies:

(1) Transaction types

1. The derivatives engaged by the Company can be divided into two types of "non-trading purpose" (hedging transactions not for trading purpose) and "trading purpose" (financial transactions for trading purpose).
2. The type of derivative transaction engaged by the Company is limited to foreign exchange forward contract currently. If other type of derivative transaction is in need, it shall be approved by the Board before implementation.

(2) Operating and hedging strategies

1. The Company shall engage in derivative transaction for hedging purpose. It shall mainly select the products that can avoid the risks generated from the business operation of the Company.
2. As for the trading counterparty of the derivative transactions engaged by the Company, it shall select the financial institutions with favorable terms based on the operating demands, so as to avoid credit risk.

(3) Separation of powers and responsibilities

1. Authorized manager: The financial department head is responsible for the risk evaluation and routine management work of the above

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transactions.

2. Trading personnel:

- (1) The personnel authorized by Chairman in written forms shall be responsible for conducting derivative transactions with the financial institutions.
- (2) It shall note the market information any time, and analyze the changes on products from the basic and technical perspectives, as well as report the latest information to the authorized manager.

3. Transaction confirmation: The transaction confirmation personnel shall check the letter of transaction confirmation (or the account statement) provided by the financial institution with the transaction sheet filled by the trading personnel.

4. Closing personnel: Fund procurement personnel.

5. The trading personnel, transaction confirmation personnel and closing personnel can't be appointed concurrently.

6. Supervision and control:

- (1) The internal auditor shall review the sufficiency of the internal control system in connection with financial derivative transactions.
- (2) The senior personnel authorized by the Board shall pay attention to the supervision and control of the derivative transaction risk any time.

7. Archiving: All transaction sheets, bank statements, transaction authorization letter and evaluation report shall be saved by the accounting department.

(4) Performance evaluation

1. Non-trading (hedging) derivatives: The financial department shall take the realized net profit/loss position of each transaction product type after the closing of each contract delivery trading day as the foundation for performance evaluation.
2. Trading (financial) derivatives: For the realized part, the financial department shall take the actual profit/loss position as the foundation of performance evaluation. For the unrealized part, it shall settle the net amount of profit/loss and the sum of the open interest position based on the weekly closing price, which will be taken as the foundation for performance evaluation.

(5) Total amount of transaction and loss limits

Loss limits

1. Hedging transactions

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According to the actual demands of the Company, the loss of a single contract shall not exceed 10% of the total contractual amount. The overall loss of all contracts shall not exceed 10% of the total contractual sum. If the loss of derivative transactions exceeds the above limits, the Financial Management Committee shall hold review meeting in accordance with subparagraph 2 of Article 7 of this Regulations, which can facilitate risk control timely.

2. Financial transactions

The loss of a single contract shall not exceed US\$100,000, and the overall loss of all contracts shall not exceed US\$1 million. If the loss of derivative transactions exceeds the above limits, the Financial Management Committee shall hold review meeting in accordance with subparagraph 2 of Article 7 of this Regulations, which can facilitate risk control timely.

2. Risk management measures

(1) Credit risk management:

The changes of various factors in the market may cause risk for operating the derivative products, so the market risk management shall follow the principles as below:

1. Transaction counterparty: It shall be mainly the renowned financial institutions home and abroad.
2. Transaction products: It shall be limited to the products provided by the renowned financial institutions home and abroad.

(2) Market risk management:

It shall choose the markets in which the price quotation information can be fully public.

(3) Fluidity risk management:

To guarantee the market fluidity, it shall mainly select the products with high fluidity (The can achieve even-up in the market any time). The financial institutions entrusted for transaction must have adequate information and capability of conducting transaction in any market any time.

(4) Cash flow risk management:

To guarantee stable turnover of operating capitals, the capitals used to conduct derivative transactions shall be limited to the self-owned capitals. Moreover, the operation amount shall consider the capital demands of predicted cash income and expense in the next three months.

(5) Operating risk management:

1. Risk should be avoided by ensuring that the Company's authorized limits

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and operational procedures have been duly complied with, and such procedures shall be incorporated into the Company's internal audit process.

2. The trading staffs engaged in derivative transaction cannot also be appointed as the staffs responsible for confirmation and closing.
3. Staffs responsible for risk evaluation, monitoring and control shall be from different departments and shall report to the Board or a senior manager who is not responsible for trading or position policy-making.
4. The positions held in respect of derivative products transactions shall be evaluated at least once a week; provided, however, hedging transactions based on operation need shall be evaluated at least twice a month. The evaluation report thereof shall be submitted to a senior manager authorized by the Board.
5. Other important risk management measures.

(6) Law risk management:

The documents to be officially signed with the financial institutions shall be reviewed by specialist of foreign exchange and legal consultant, so as to avoid law risk in the future.

3. Internal audit system

A public company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing. Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the supervisors under the preceding paragraph, written notice shall also be given to the independent directors. Where an audit committee has been established in accordance with the provisions of the Act, the provisions relating to supervisors shall apply mutatis mutandis to the audit committee.

4. Periodical evaluation method and exception handling

- (1) The Board shall authorize senior managers to periodically monitor and evaluate the derivative products transactions, ensure that they are executed in conformity with the transaction procedures, and verify whether any risks borne by the Company are within authorized scope. Any irregularities indicated in the evaluation report (i.e. if the holding positions exceed the limit of loss) shall be immediately reported to the Board immediately and appropriate measures shall be taken.

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(2) The above evaluation operation shall be subject to item 4 of subparagraph 5, paragraph 2 of this Article.

5. Supervision and management of the Board

(1) The Board shall perform supervision and management based on the following principles:

1. The Board shall appoint senior managers to monitor and control the risks relating to derivative products transactions in accordance with the following principles:

(1) Periodically evaluate whether the current risk management measures are appropriate and in conformity with the Regulations and the Procedures for Derivative Products Transactions stipulated by the Company;

(2) Monitor trading and loss. Where an irregularity is discovered, appropriate and necessary measures shall be taken and the Board shall immediately be notified. The Independent Directors shall attend the board meeting and give comments.

2. Periodic evaluation of the performance of the derivative transaction to determine whether it is in conformity with the operation strategy and whether the risk borne by the Company is within the acceptable scope.

3. The Company's derivative products transactions handled by relevant staffs authorized in accordance with the Procedures for Derivative Transaction shall be subsequently reported in the board meeting of the most recent period.

(2) When the Company engages in the derivative transaction, it shall establish memorandum book that records the transaction type, amount, passing date of the Board and other matters that shall be evaluated cautiously based on the items 4 of subparagraph 2(5) and subparagraph 5(2) and item 1 of subparagraph 5(1) of this Article.

Article 11: Procedures for mergers, demergers, acquisitions, or transfer of shares

1. Evaluation and implementation procedures

(1) In conducting a merger, demerger, acquisition, or transfer of shares, the Company is advised to appoint an attorney, certified public accountant and securities underwriter to discuss and stipulate a timetable and shall organize a special project team for execution thereof in accordance with procedures stipulated by laws. Prior to convening the Board to resolve on the matter, the Company shall engage a certified public accountant, attorney, or securities underwriter to give an opinion on the reasonableness

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of the share exchange ratio, acquisition price, or distribution of cash or other property to the Members, and submit it to the Board for deliberation and approval.

However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company 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.

- (2) In participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a report to the Members detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the general meeting and include such report together with the expert opinion referred to in subparagraph 1(1) of Article 11 with the meeting notice of the general meeting to be used as reference on whether to the merger, demerger, or acquisition shall be approved. Provided, where a provision of another act exempts the Company from having to convene a general meeting to approve the merger, demerger, or acquisition, the above requirement shall not apply. Where in participation of a merger, demerger, or acquisition the general meeting 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, the Company shall immediately explain the reason, the follow-up measures, and the preliminary date of the next general meeting.

2. Other important matters

- (1) Board Meeting Date: In participation of a merger, demerger, or acquisition, the meeting of the Board and general meeting shall be convened on the same day of the board meeting and general meeting of the other participating companies to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the SFC is notified in advance of extraordinary circumstances and grants consent. In participation of a Transfer of Shares, the meeting of the Board shall be convened on same the day of board meeting of the other participating companies, unless another act provides otherwise or the SFB is notified in advance of extraordinary circumstances and grants consent. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has

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its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreigners) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and board meeting minutes.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within two days counting from the date of passing a resolution by the Board, report the information set out in item 3-1 and 3-2 of subparagraph 2-1 of Article 11 to the FSC in the prescribed format and via the Internet-based information system for recordation.

Where any of the company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of item 3 and item 4 of subparagraph 2(1) of Article 11.

- (2) Non-Disclosure commitment: Every person participating in or privy to the Company's 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.
- (3) Establishment or amendment of share swap ratio or purchase price: In participation of a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share swap ratio or purchase price

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unless the following circumstances permitting alteration are stipulated in the contract for the merger, demerger, acquisition, or Transfer of Shares and publicly disclosed:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock options, or other equity based securities.
 2. An action, such as a disposal of major assets, that affects the company's financial operations.
 3. An event, such as a major disaster or major change in technology, that affects shareholder equity or price of securities.
 4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (4) Content of the Contract: A contract of merger, demerger, acquisition, or transfer of shares shall state the rights and obligations of the companies participating in the merger, demerger, acquisition or transfer of shares, which shall include the following in addition to the matters required under the Article 317(1) of the Company Act and Article 22 of the Enterprise Merger and Acquisition Law:
1. Handling of breach of contract.
 2. 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.
 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 4. The manner of handling changes in the number of participating entities or companies.
 5. Preliminary progress schedule for plan execution, and anticipated completion date.
 6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

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- (5) Change in the number of entities participating in the merger, demerger, acquisition or transfer of shares: In participation of a merger, demerger, acquisition, or transfer of shares and after public disclosure of the information, if the Company intends further to carry out another merger, demerger, acquisition, or share transfer with another company, the Company shall carry out anew the procedures or legal actions that had originally been completed for the former merger, demerger, acquisition, or transfer of shares; except that where the number of participating companies is decreased and the general meeting has adopted a resolution authorizing the Board to alter the limits of authority, the Company may be exempted from calling another general meeting to resolve on the matter anew.
- (6) 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 provisions of Subparagraphs 2(1), (2) and (5) of Article 9.

Article 12: Procedures for public disclosure of information

1. Announce the declaration project and the standard:

- (1) 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 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 domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprise.
- (2) participating in the merger, demerger, acquisition, or share transfer.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company
- (4) 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:
 1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.

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2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- (5) 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.
- (6) 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.
- (7) 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:
 1. Trading of domestic government bonds.
 2. Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription 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 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.
 3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (8) The amount of transactions above shall be calculated as follows:
 1. The amount of any individual transaction.
 2. The cumulative transaction amount of acquisitions and disposals of the

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same type of underlying asset with the same transaction counterparty within the preceding year.

3. 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.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

2. Public announcement and disclosure timeframe

In acquiring or disposing of assets, if any of the items under subparagraph 1 of Article 12 has been met and the transaction amount reaches the public announcement threshold, a public report shall be established in accordance with the Procedures within two days from the date of occurrence of the event: The Company shall on a monthly basis and prior to the tenth day of each month submit the relevant information based on the required format in respect of derivative transactions of the Company and a subsidiary which is not a public company in the Republic of China to a reporting website designated by the SFC.

3. Procedures for public disclosure

- (1) The Company shall submit the relevant information to a reporting website designated by the SFC.
- (2) The Company shall on a monthly basis and prior to the tenth day of each month submit the relevant information based on the required format in respect of derivative transactions of the Company and a subsidiary which is not a public company in the Republic of China to a reporting website designated by the SFC.
- (3) When the Company at the time of public announcement makes an error or omission in an item required by the 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 commencing immediately from the date of knowing the event.
- (4) In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, memo books, appraisal reports and opinions of certified public account, attorney, and securities underwriter at the Company, where they shall be retained for five years unless otherwise provided by laws.
- (5) After a public disclosure of information pursuant to the above has been

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made, upon occurrence of the following, a report of relevant information shall be made on the information reporting website designated by the SFC within two days from the date of occurrence of the event:

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

Article 13: Total amounts of real property and securities acquired by the Company and each subsidiary for non-operating use, and limits on individual securities

1. The total amount of all real properties acquired by the Company and the subsidiaries for non-operating use shall not exceed 50% of the equity reported in the financial statement of each entity audited by the CPA in the most recent period.
2. The total amount of all securities invested by the Company and the subsidiaries for non-operating use shall not exceed 50% of the equity reported in the financial statement of each entity audited by the CPA in the most recent period. The total amount of each securities invested by the Company and the subsidiaries shall not exceed 20% of the equity reported in the financial statement of each entity audited by the CPA in the most recent period.
3. The investment of the Company is subject to the resolution of the Board as authorized by the Articles of Association, and it shall not apply to the limits of 40% of the paid-in capitals as stipulated by Article 13 of the Company Act.
4. The investment of the subsidiary shall not exceed 100% of the equity reported in the financial statement audited by the CPA in the most recent period.

Article 14: Procedures for control and management of the acquisition and disposal of assets by subsidiaries

1. A subsidiary shall also establish the Procedures Governing the Acquisition or Disposal of Assets.
2. The acquisition or disposal of assets by a subsidiary shall be subject to the Procedures.
3. If a subsidiary of the Company is not a public company in Taiwan, where a threshold for public disclosure as stipulated Article 10 has been met, the Company shall make the relevant disclosure on behalf of the subsidiary.
4. For purposes of determining whether disclosure is required, "20 percent of the Company's paid-in capital or 10 percent of the total asset of the Company"

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refers to the paid-in capital or the total amount of assets of the Company.

5. If subsidiaries acquire or dispose assets, they shall at least periodically be made a determination of the procedure for acquisition or disposal of assets, and its operational situation. If any material violation is discovered, the audit unit of the company shall be notified in writing, and the audit unit of the company shall notify supervisors in writing.
6. The auditor of the company shall be informed of the implementation of the procedure for acquisition or disposal of assets by subsidiaries when auditors auditing subsidiaries under the annual audit plan. If any violation is discovered, its reformation shall be continually traced and be reported to supervisors. Where an audit committee has been established in accordance with the provisions of the Act, the provisions relating to supervisors shall apply mutatis mutandis to the audit committee.

Article 15: Penalties

Violation of the Regulations by an employee of the Company in the acquisition or disposal of assets shall be punished in accordance with the Company's human resource management regulations based on the seriousness of the offense.

Article 16: Supplementary provisions

Any matter not mentioned herein the Regulations shall be subject to the related laws and the rules of the Company.

Article 17: Implement and Amendment

A public company shall establish its procedures for the acquisition or disposal of assets in accordance with the provisions of these Regulations. After the procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall also submit the director's dissenting opinion to each supervisor. In the case of a discussion by the Board, the opinions of the independent directors shall be fully taken into account, if they have objections or reservations, shall be set out in the proceedings of the Board of Trustees.

Where the position of independent director has been created in accordance with the provisions of the Securities and Exchange Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take

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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. Where an audit committee has been established in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions..