

Namchow Holdings Co., Ltd.

Procedures for the Acquisition or Disposition Assets

Chapter I General Provision

I. Purpose and legal reference:

This Procedure is instituted pursuant to Article 36-1 of the Securities and Exchange Act and the “Criteria for Acquisition and Disposition of Assets by Public Companies” and for the strengthening of asset management and information transparency.

II. Assets for application:

- (I) Investment of stocks, government bonds, corporate bonds, bank debentures, fund securities, depository receipts, call (put) warrants, beneficiary certificates, and asset-backed securities.
- (II) Property (including lands, housing and structures, investment property, right of land use) and equipment.
- (III) Membership cards.
- (IV) Patents, copyrights, trademark, franchise, and other intangible assets.
- (V) Right-of-use asset
- (VI) Derivative Goods: Its values derives from Specific interest rate, financial instrument price, commodity price, exchange rate, price or rate index, credit rating etc. or credit index, Forward contracts derived from other variables, option contracts, futures contracts, leveraged margin contracts, exchange contracts, combinations of such contracts, or combined contracts or structured goods embedded in derivative goods, etc. Forward contracts as referred to do not include insurance contracts, performance contracts, post-delivery service contracts, long-term lease contract and long-term buy-sell contracts.
- (VII) Assets acquired or disposed from merger, spinoff, acquisition and acceptance of assigned shares: assets acquired or disposed through merger, spinoff, or acquisition in accordance with the Corporate Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Mergers Act or other applicable laws, or the issuance of new shares for acceptance of the shares assigned from other companies pursuant to Article 156-3 of the Company Act.
- (VIII) Other major assets.

III. Evaluation Procedure:

- (I) In the acquisition or disposition of securities or engagement in derivative trade, the treasury and accounting of the Company shall conduct analysis of related return and possible risk. In the acquisition or disposition of real estate, other assets and right-of-use assets, related functional departments shall map out the capital expenditure plan and proceed to feasibility study on the purpose and expected return on acquisition or disposition of assets. For acquisition or disposition with related parties, proceed to Chapter II of This Procedure on the assessment of the rationality of the terms and conditions of the transactions.
- (II) The Company shall, before the day of deed for the acquisition or disposition of securities, obtain the audited or reviewed financial statements of the target companies or related information as reference for appraisal. If the transaction amount exceeds 20% of the paid-in capital of the Company or NTD300 million, retain a certified public accountant for presentation of opinion on the rationality of the transaction price before the day of deed. If there is an active market for the securities with open quotation, or the Financial Supervisory Commission (FSC) specified otherwise, this requirement can be waived.
- (III) Except for transactions with domestic government agencies, a CPA's opinion on the reasonableness of the transaction price must be obtained before the date of the fact when the Company acquires or disposes of intangible assets, their right-of-use assets thereof, or membership card transactions amounting to 20% of the Company's paid-in capital or NT\$300 million or higher.
- (IV) For the acquisition or disposition of property, equipment and the right-of-use asset exceeding 20% of the paid-in capital of the Company or NTD300 million, obtain the appraisal report issued by professional appraisers before the day of deed and proceed to the appraisal process of This Procedure.
- (V) In pursuing corporate merger, spinoff, acquisition or acceptance of assigned shares, consult a certified public accountant, legal attorney, or securities underwriting to present opinions on the rationality of the ratio of share swap, acquisition price, and the cash dividend or other assets paid to shareholders before the day of deed, and present to the Board for discussion. The aforementioned opinion from experts on the rationality of the transactions could be waived for the merger between the Company and a wholly-owned subsidiaries by equity share or

capital, or between wholly-owned subsidiaries of the Company by equity share or capital.

(VI) The Company shall comply with the following in the determination of the price for the acquisition or disposition of assets or for reference further to the aforementioned appraisal by professional appraisers, certified public accountants, and other experts:

1. In the acquisition or disposition of securities traded in the centralized market or OTC market, decision could be made on the basis of the price or the equity shares or bonds.
2. In the acquisition or disposition of securities not traded in the centralized market or OTC market, consider the net value per share, technology and profitability, potential for development, market interest rate, coupon rate, and the credit standing of the debtors, and also the bid price of most recent transaction as reference for decision-making.
3. In the acquisition or disposition of membership cards, consider possible return and the most recent bid price for the transaction. For the acquisition or disposition of patents, copyrights, trademark, franchise, other intangible assets and right-of-use assets, consult international or market customs and practices, the service period, and the effect on the technological level and business of the Company.
4. In the acquisition or disposition of property, equipment and right-of-use asset, consult the posted present value, appraised present value, the actual transaction price or book value of property in the neighborhood, and the quotation of the suppliers.
For acquisition or disposition of property/right-of-use asset with related parties, conduct evaluation as stated in Chapter II of This Procedure to assess the rationality of the transaction price.
5. For the engagement in derivative trade, consult the trading condition of the futures market and the trends of the exchange rate and interest rate.
6. In merger, spinoff, acquisition or acceptance of assigned shares, consider the nature of business, net value per share, asset value, technology and profitability, production capacity and potential for growth.

(VII) The calculation of the amount as stated in (II), (III), and (IV), proceed

to V (II). The period of one year as referred to shall be the duration from the day of deed moving backward for one year in retrospect. This period could be waived if the appraisal reports issued by professional appraisers or opinions from certified public accountants are available.

IV. Operation Procedure:

(I) Authorized limit and gate approval

1. Securities: The Chief Financial Officer shall be authorized to proceed to trade pursuant to Article VII of This Procedure. If the transaction meets the standard required for declaration as stated in Article V, report to the Chairman on the day after the trade for record, and present before the nearest session of the Board for ratification. For the acquisition or disposition of stocks, corporate bonds not traded in the centralized market or the OTC market, private placement securities, that the amount meets the standard required for declaration, the resolution of the Board for approval in advance is necessary. Investment in Mainland China shall be subject to the consent of the Shareholders' Meeting or execution by the Board at the authorization of the Shareholders' Meeting, and petitioned with the Board of Investment of MOEA for approval before proceeding.
2. Derivative Trade
 - (1) Hedge trade: trade may be conducted in line with the change in the business value and risk position by personnel designated by the Chairman with single transaction or accumulated transactions falling below USD20 million (including the equivalent of other currencies).
 - (2) Non-hedge trade: For reducing risk, single transaction or accumulated transactions fall below USD6 million (including the equivalent of other currencies) may be conducted by designated personnel under authorization subject to the approval of the Chief Financial Officer.
 - (3) The authorized personnel must be made known to the banks for facilitating the monitoring and management of the service banks in identification of the authorization of personnel.
 - (4) The aforementioned derivative trade conducted under authorization shall be reported to the Board.

3. Related party transactions: Prepare related information as stated in Chapter II of This Procedure, and present to the Board for approval and the Supervisors for ratification before proceeding to signing the trade contracts and effecting of payment. In the event that an Audit Committee has been established in accordance with the law, they shall be approved by the Audit Committee members and submitted to the board of Directors for a resolution.
4. Merger, spinoff, acquisition or acceptance of assigned shares: proceed to Chapter IV of This Procedure for action and prepared the required materials. Merger, spinoff, acquisition shall be subject to the approval of the Shareholders' Meeting in advance unless the law provides otherwise. The acceptance of assigned shares shall be subject to the approval of the Board.
5. Others: Comply with the internal control system and gate approval in the operation. If the transaction amount meets the standard required for declaration as stated in Article V, the approval of the Board in advance is necessary except for the acquisition or disposition of business equipment, Right-of-use asset/real estate right-of-use asset which could be reported to the Board for ratification in the afterward. The resolution for approval by the Shareholders' Meeting is necessary if any of the situations in Article 185 of the Company Act is applicable.

(II) Executor and transaction process

The treasury of the Company shall be the executor of securities investment and derivative trade. Real estate, other assets and right-of-use asset shall be executed by the users or related functional departments. Merger, spinoff, acquisition, and acceptance of assigned shares shall be conducted by the functional unit designated by the Chairman. Upon successful evaluation as required by law and approval, the executor shall proceed to the acquisition or disposition of assets by entering into related agreements, making or receiving payment, delivery and inspection for acceptance, and referred to related process under the internal control system depending on the nature of the assets. Related party transactions, derivative trade, and merger, spinoff, acquisition or acceptance of assigned shares shall proceed to Chapter II ~IV of This Procedure.

V. Declaration Procedure:

- (I) If any of the following is applicable to the acquisition or disposition of assets by the Company, follow the format and content as stated in the attached table (Attachment 2-8) by nature of the asset, and disclose related information at the designated website of FSC for declaration within 2 days after the day of deed.
1. Acquisition of property or right-of-use assets from related parties, or disposition of property or right-of-use assets to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million. This provision is waived for the trading of government bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms.
 2. Proceed to merger, spinoff, acquisition or acceptance of assigned shares.
 3. Engagement in derivative trade with loss from all contracts or individual contracts exceeding the upper limit as stated in Chapter III, Article XIV-IV of This Procedure.
 4. The assets acquired or disposed are business equipment or right-of-use assets and the counterparties of transactions are not related parties and the amount of transaction exceeds NTD500 million.
 5. Acquisition of property through the commissioning for construction on proprietary lands, commissioning for construction on leased land, joint venture in construction with split up of finished premises, joint venture in construction with split up of sale revenue, and joint venture in construction and joint marketing of finished premises, and the transaction party is not related. The Company expects to invest an amount of more than NTD500 million.
 6. Further to the transactions of assets or investment in Mainland China as specified from 1~5 of this provision, and the transaction amount exceeds 20% of the paid-in capital of the Company or NT\$300 million. Except under the following situations:
 - (1) Trading domestic bonds or foreign government bonds with a credit rating not lower than our nation's sovereign credit rating.
 - (2) Trading of R/P bonds, R/S bonds, subscription or redemption of domestic money market funds offered by securities investment trust firms.

- (II) The amount of the aforementioned transactions shall be calculated in the method specified below:
1. The amount of each transaction.
 2. The amount of transaction for the acquisition or disposition of the same target with particular counterparty in one year on an accumulative basis.
 3. The amount of transaction for the acquisition or disposition (accumulated separately) of the property or right-of-use assets of particular development project in one year on an accumulative basis.
 4. The amount of transaction for the acquisition or disposition (accumulated separately) of particular security
- (III) One year as referred to in preceding paragraphs shall be the duration from the day of deed moving backing for one year in retrospect. The portion already declared could be exempted from the calculation.
- (IV) The Company shall provide information on the derivative trade conducted by the Company and subsidiaries which are not domestic public companies by the end of the previous month in the format as shown in the table, and declare the information with the designated website of FSC by the 10th day of the month.
- (V) In case of error or missing content for the items required for declaration, correct the content within 2 days after acknowledgment of the error or missing, and conduct a new round of declaration.
- (VI) If any of the following is applicable to the declaration as stated in (I), declare at the designated website of FSC within 2 days after the day of deed:
1. Alteration, termination, or discharge of the contracts for transactions previously entered into.
 2. The merger, spinoff, acquisition or acceptance of assigned shares cannot be accomplished as scheduled.
 3. Change in the content of information previously declared.

VI. Procedure for appraisal of assets

The company obtains or disposes of real estate, equipment and its right to use assets, except for transactions with domestic government agencies, construction of local land, construction of land leases, or acquisition or disposal of equipment for business use or its right to use assets. If the company's paid-in capital is 20% or NT\$300 million or more, the valuation

report issued by the professional value shall be obtained before the date of the fact (the particulars for inscription are exhibited in Attachment 1) and shall be in compliance with the following. The certification document issued by court may be used in lieu of the appraisal reports or opinions from certified public accountants if the acquisition or disposition of assets were conducted through court auction.

- (I) If for specific reason that limited price, designated price or special price shall be used as reference for setting the transaction price, present the case before the Board for resolution in advance. The same procedure is applicable to any subsequent change of the conditions of transactions.
- (II) If the transaction amount exceeds NT\$1,000 million, the appraisal reports from at least two professional appraisers is necessary.
- (III) If the professional appraiser's appraisal result shows any one of the following conditions, a CPA shall be consulted to express specific opinions on the reason for the price difference and fairness of the transaction price unless the appraisal results indicate that the assets acquired are all higher than the transaction amount or the results indicate that the assets disposed of are all lower than the transaction amount:
 - 1. The appraisal result varied with the transaction amount by more than 20%.
 - 2. The appraisal results from at least two professional appraisers varied by more than 10%.
- (IV) The date of the appraisal reports issued by the professional appraisers shall not be longer than a period of 3 months from the day on which contract is signed for the transaction. If the posted present value of the same period is applicable and the duration is less than 6 months, the original professional appraisers issuing the reports shall present an opinion.

VII. Scope and limit of investment

Further to the acquisition of assets for business purpose, the Company and subsidiaries may also invest in property, right –of-use assets and securities not for business purpose. The limit of investment and restriction is specified below.

- (I) Total investment in property and right-of-use assets not for business use shall not limited to 50% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.
- (II) Total investment in securities shall not exceed 100% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.
- (III) The investment in particular security shall not exceed 100% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.

VIII. The control of acquisition or disposition of assets by subsidiaries:

- (I) Subsidiaries of the Company shall also institute the “Procedure for the Acquisition or Disposition of Assets” in conformity to the “Criteria for Acquisition and Disposition of Assets by Public Companies” and properly implement the procedure after passing by the Board with circulation to the Supervisors and the Shareholders’ Meeting for ratification. The same procedure is applicable to any amendment thereto.
- (II) The acquisition or disposition of assets by subsidiaries shall be conducted in compliance with their respective “Internal Control System” and “Procedure for the Acquisition and Disposition of Assets”. The auditing function of the Company shall include the operation of acquisition and disposition of assets conducted by the subsidiaries as key monthly audit items, and shall report to the Board and the Supervisors of the audit findings as an integral part of the audit report.
- (III) If the subsidiaries of the Company are not public companies, and the acquisitions or disposition of assets of these subsidiaries meet the standard required for declaration as stated in Article V, notify the Company on the day of deed and the Company shall declare with FSC

at designated website. The standard required for declaration at 20% of the paid-in capital or 10% of the total assets shall be based on the paid-in capital or total assets of the Company.

IX. Penalty:

If the personnel of the Company related to the acquisition or disposition of assets violate the “Criteria for Financing and Endorsement and Guarantee by Public Companies” or This Procedure, proceed to the following depending on the severity of the offense. The violation shall be tracked on record and treated as a reference for the annual performance evaluation of related personnel.

- (I) Violation of the gate approval rule: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (II) Violation of the review procedure: verbal warning will be given for the initial offense, written warning will be issued for a second offense with compulsory action imposed for taking part in the training of the internal control system provided by the Company. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (III) Violation of the requirement for declaration: verbal warning will be given for the initial offense, written warning will be issued for a second offense. For repeated offenses or offense in severity, the personnel concerned shall be transferred to other duties.
- (IV) The supervisors of the offenders shall also be subject to punishment except those who can justify their position of failure to take preventive action.
- (V) In case the Board or the Directors violate related rules and regulations and the resolutions of the Shareholders’ Meeting in performing their duties, the Supervisor shall proceed to Article 218-2 of the Company Act thereby notify the Board or the Directors of immediate halt of the conduct.

Chapter II Related Party Transactions

X. Determination of related parties

Related parties shall be determined on the basis of the definition set forth in the Criteria for the Compilation of Financial Statements by Securities Issuers with de facto and de jure relation considered.

- X-1. The acquisition or disposition of assets between the Company and related parties shall be in compliance with Chapter I and this Chapter of This Procedure in the decision-making process and rationality of the terms and conditions of the transactions. If the amount involved exceeds 10% of the total assets of the Company, the appraisal reports from professional appraisers or opinions from certified public accountants shall be required. The amount of transaction shall be calculated in accordance with Article III-(VII).

XI. Resolution Procedure:

In the acquisition of property and right-of-use assets from related parties, or disposition of property and right-of-use assets to related parties, or disposition of other assets beyond property exceeding 20% of the paid-in capital of the Company, 10% of the total assets, or NT\$300 million, the executor shall prepare related information for presenting to the Board and the Supervisory for ratification before entering into agreements or effective payment. This provision is waived for the trading of domestic government bonds, R/P bonds, subscription or redemption of money market funds offered by domestic securities investment trust firms:

- (I) The purpose, necessity and expected return from the acquisition or disposition of assets.
- (II) The reasons of choosing related parties as the counterparties in the transactions.
- (III) In the acquisition of property and right-of-use assets from related parties, the information on the rationality of the terms and conditions of trade in the exclusionary clause of Article XII or Article XIII.
- (IV) The original price and date of acquisition of the asset by the related parties, the counterparties of trade, and relation with the Company and the related parties.
- (V) The projection of cash income and expense on a monthly basis in the year ahead from the month of entering into agreement, and the assessment of the necessity and the rationality of the use of fund.
- (VI) The appraisal reports issued by professional appraisers and the opinion

of certified public accountants as required to obtain in the previous article.

(VII) Restrictions and other important agreements for this transaction.

When this Company, its subsidiaries, or subsidiaries whereby 100% of the issued shares or total capital is directly or indirectly held engage in the following transactions with each other; the board of directors may authorize the chairman of the board to make a decision within the legal limit, and then submit it to the latest board of directors for ratification:

- (I) Acquiring or disposing of equipment or right-of-use assets thereof for commercial use.
- (II) Acquiring or disposing of real estate or right-of-use assets thereof for commercial use.

If the Company has established independent directors according to regulations, the Company shall fully consider the opinions of all independent directors when a proposal is submitted to the board of directors for discussion according to Paragraph I and record all reasons of disapproval or reservation in the board of directors meeting minutes.

The Company has established an audit committee according to regulations. The matters that must be recognized by the supervisor according to Paragraph I shall be approved by over half of all audit committee members and then submitted to the board of directors for resolution. If approval by over half of all audit committee members cannot be obtained, the case must be approved by over two-thirds of all directors before implementation, and the audit committee's resolution shall be recorded in the board of directors meeting minutes.

If the Company or its non-domestic public offering subsidiaries engage in a transaction that exceeds 10% of a public company's total assets, the Company shall submit the documents listed in Paragraph I to the shareholders' meeting for approval before signing the transaction contract and making payment. This provision shall not apply if the transaction is between the Company and its parent company, subsidiary, or between the subsidiaries.

The transaction amounts from Paragraph I and the preceding paragraph shall be calculated according to Paragraph (II) of Article V. The transactions within one year are based on the actual transaction date, calculated retrospectively for one year. Those submitted to the shareholders' meeting and the board of directors for recognition by the supervisor need not be added.

XII. Assessing the rationality of the conditions for trade

For acquisition of real estate and right-of-use assets from related parties, assess the rationality of the cost of transaction in accordance with the following method and consult with certified public accountants for

presenting substantive opinion, except that the property and right-of-use assets are acquired by related parties is through succession or donation, or, the acquisition of assets by related parties was longer than 5 years ago, or entering into agreement on joint construction with related parties through the commissioning of construction on proprietary land or on leased land; Or the public offering company and its parent company, its subsidiaries, or its subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, and the real estate right-of-use assets for business use, etc., shall be evaluated according to the following methods to ensure transaction costs are reasonable and request an accountant to review and express specific opinions.

- (I) The addition of necessary cost of capital and the cost to be borne by the buyer by the related parties. Necessary cost of capital as referred to shall be calculated at the weighted average interest rate for financing in the year of purchasing the property but no more than the upper limit for lending by non-financial institutions.
- (II) If the related party has sought financing from a financial institution with pledge of the property, it shall be the total value appraised by the financial institution for lending. However, the accumulated value of load drawn to the related party with the pledge of the property shall at least be 70% of the total appraised value for lending and the term of loan shall at least be one year. This provision is not applicable if either side of the parties is a related party.
- (III) For the joint purchase of particular subject land and premises, the cost of transactions on the land and premises shall be appraised separately as stated in (I) and (II).

XIII. Action to be taken if the imputed cost falls below the transaction price:

If the appraisal result indicated the cost of transaction falls below the transaction price, proceed to (III) unless the following is applicable with the presentation of objective evidence, the appraisal reports from professional appraisers and the opinions of certified public accountants on rationality of the transaction.

- (I) If the related party acquired empty land or leased land for construction, at least one of the following shall be satisfied with proof:
 - 1. Appraisal on the empty land shall be conducted in the manner as stated in the previous article. For premises, the sum of the

construction cost plus reasonable construction profit for the related party is higher than the transaction price. Reasonable construction profit is the average gross margin of the construction segment of the related party in the last three years, or the gross margin for the construction industry announced by Ministry of Finance covering the most recent period, whichever is lower.

2. The case of successful transaction in other stories of the same building or immediate area within one year with non-related parties transactions. The floor area shall approximate the subject premises and the conditions of transaction shall be justifiable for the stories and area taken for comparison under the customs and practices of real estate trade or lease.
3. The case of leasing to non-related parties of other stories in the same subject premises, and the conditions for transaction shall be justifiable for the stories taken for comparison under the customers and practices of real property leasing.

- (II) The Company shall prove that the purchase of real estate or lease to require real estate right-of-use assets from related parties shall be relevant with the transactions of real estate trade conducted by non-related parties under similar terms and conditions of trade in the immediate area and in similar size within one year.

Successful cases of transaction in the immediate area shall refer to the location in the same block or neighboring block and the distance from the subject premises is less than 500 m in perimeter, or the similar level of announced present value.

Similar size or floor area shall be the floor area of the premises concerned in the transaction with non-related parties not falling below 50% of the floor area of the subject premises. One year shall be the duration from the day of deed for the acquisition of real estate and right-of-use assets moving backward for one year in retrospect. If the cost of transaction under appraisal falls below the transaction price in the acquisition of property or right-of-use assets from related parties, and the situations in I are not applicable, proceed to the following:

- (I) Recognize the difference between the transaction price and the estimated cost of property and right-of-use assets trade as special reserve pursuant to Article 41 -1 of the Securities and Exchange Act, and shall not distribute to shareholders or capitalize into new shares.

Special reserve as recognized may be utilized in circumstances under which assets were purchased or rented on a high price with recognition of loss from falling price, disposition or termination of lease or with appropriate compensation or resumption to original condition, or is justifiable with proof of objective evidence and at the consent of Financial Supervisory Commission.

(II) Supervisors shall act in accordance with Article 218 of the Company Act. For members who have established the Audit Committee according to law, the preceding paragraph is applicable to the independent board members of the Audit Committee.

(III) The situations as stated in (I) and (II) shall be reported to the Shareholders' Meeting and the details shall be disclosed in the annual report or prospectus.

The acquisition of real estate or its right-of-use assets from related parties shall be handled in accordance with the provisions of the preceding two paragraphs if there is other evidence that the transaction has irregular business practices.

Chapter III The control of derivative trade

XIV. The principles and policy of trade

(I) Type of trade: The Company may undertake a variety of derivatives for trading, including forward contracts, options contracts, interest rate and exchange rate swaps, futures, and the composite contracts of the aforementioned products. The engagement in other forms of derivative trade shall be subject to the resolution of the Board for approval in advance.

(II) Business or hedge strategy: The Company is engaged in derivative trade for hedge and non-hedge (for trading purpose) trade. The strategy shall be aiming at the hedge of operation risk and the choice of derivatives shall be targeted at the hedging of the risks deriving from the operation of the Company such as revenues and expenditures in foreign currencies, assets or liabilities denominated in foreign currencies. In the event of change in the objective environment, engage in "non-hedge" derivative trade on due time so as to bring in more revenue or mitigate loss from operation for the Company. In addition, the counterparties of trade should preferably be the financial

institutions in business relation with the Company to avoid possible credit risk. Before the engagement in trade, differentiate if the trade is for hedging or for profit seeking. This shall be the foundation for bookkeeping and accounting.

(III) Trade limit:

1. Hedge trade: the net exposure of consolidated assets and liabilities (including anticipated net exposure in the future) shall be the upper limit of trade.
2. Non-hedge trade: up to USD6 million. Before proceeding to trade, the dealer shall present a report on the trend of foreign exchange rate and the content shall include the analysis of the trend in the foreign exchange market and the recommended means of trade subject to the final approval of the management.

(IV) Upper limit of loss for overall position or particular contract

1. Hedge trade: The upper limit of loss shall not exceed 10% of the overall position or the amount of particular contract, and the total loss in one year on an accumulative basis shall not exceed USD500,000.
2. Non-hedge trade: Establish the cut loss point after setting the position to avoid excessive loss. The cut loss point shall be up to 10% of the contract amount and the overall cut loss point shall not exceed USD500,000 in one year on an accumulative basis.

(V) Segregation of authority and responsibility

1. The dealers: they are the personnel of the Company responsible for the conduct of derivative trade and should be appointed by the Chief Financial Officer. The dealers shall be responsible for the formulation of trade strategy, implementation of the instruction for trade, and the disclosure of transaction risk in the future. In addition, they shall provide information to related department for reference in real-time.
2. Accounting function: Accounting shall be responsible for the confirmation of trade and do the bookkeeping as required and keep the transaction records, conduct evaluation at fair value on the position in holding at regular intervals, and provide the information to the designated dealers. In addition, they shall disclose the detail of derivative trade in the financial statements.
3. Treasury of the Company: they are responsible for the settlement of derivative trade.

(VI) Guide for performance evaluation

1. Hedge trade: the cost of exchange (interest) rate in book and the capital gains or loss from derivative trade shall be the basis for the evaluation of performance. Evaluation shall be conducted at least twice a month and the findings shall be presented to the management as reference.

2. Trade for defined purpose

The capital gain or loss shall be the basis for performance evaluation, which shall be conducted at least once a week. The findings shall be presented to the management as reference.

XV. Risk Management

The scope and measures for the management of risk deriving from derivative trade of the Company are specified as follows:

- (I) Consideration of credit risk: the counterparties should be financial institutions and futures brokers in good standing, in business relation with the Company, and can provide professional information.
- (II) Consideration of market risk: the fluctuation of market price for derivatives may cause loss and uncertainty. The cut loss point shall be duly observed after establishing the position of trade.
- (III) Consideration of liquidity risk: for the liquidity of the derivatives, the institutions involved in the transactions must be equipped with adequate facilities, information, and trading capacity and can conduct trade in any market.
- (IV) Consideration of operation risk: the limit of authorization, operation procedure must be duly observed to avoid operation risk.
- (V) Consideration of legal risk: in entering into agreements with financial institutions, try to adopt the internationally standardized format in documentation as far as possible to avoid legal risk.
- (VI) Consideration of product risk: the internal dealers must have a wealth of the professional knowledge of the derivative trade the Company engaged in to avoid loss from misleading use of derivatives.
- (VII) Consideration of cash delivery risk: the authorized dealers must duly observe the authorized limit of trade, and pay attention to the cash flow of the Company regularly to ensure sufficient cash for settlement of trade in delivery.
- (VIII) The duties of dealing, confirmation, and delivery shall be performed by different persons.

- (IX) The confirmation staff shall confirm with the service bank the content of the transaction statement or proof by correspondence regularly, and check if the total amount of transaction is controlled within the upper limit under This Procedure.
- (X) The assessment, monitoring, and control of risks shall be performed by personnel in departments other than those specified in (VIII) and reported to the Board or senior corporate officers who are not in charge of trading or decision of the position.
- (XI) The position in holding must be assessed at least once a week. For hedge trade for business needs, assessment shall be made at least twice a month. The assessment report shall be submitted to the senior officer at the authorization of the Board.

XVI. Internal Audit System:

- (I) The internal auditors of the Company shall understand if the internal control over derivative trade is appropriate at regular intervals, and shall conduct monthly audit on the procedure of derivative trade to ensure they are conducted in compliance with the internal code of the Company. The audit findings shall be compiled into audit report. In the event of materiality as detected, report to the Chairman and the senior officer designated by the Board at once with notification to the Supervisors in writing. Those who establish independent directors according to law, the independent directors shall be notified by writing to the supervisors in the preceding paragraph.
If the audit committee has been established according to law, the first provision for the supervisor is approved by the Audit Committee.
- (II) The internal auditors of the Company shall include derivative trade as an audit item, and shall declare with Financial Supervisory Commission on the audit findings of the year by the end of February in the next year, and also the status of corrective action and preventive action taken for the rectification of defects no later than the end of May of the next year.

XVII. The method of routine audit and handling nonconformities:

- (I) Conduct monthly or weekly assessment on derivative trade, and put together the information on the income status and naked exposure or non-hedge trade in each month or each week, and submit the detail to the senior officer authorized by the Board and the Chairman as

reference for management performance evaluation and risk assessment.

- (II) The senior officer designated by the Board shall pay close attention to the monitoring and control of the risk deriving from derivative trade at all times. The Board shall assess the performance of derivative trade to make sure they are congruent with the business strategy and risk tolerance of the Company.
- (III) The senior officer designated by the Board shall manage derivative trade in accordance with the following principles:
 - 1. Assess if the risk management policy currently in effect is appropriate and is relevant with the “Criteria for Acquisition or Disposition of Assets by Public Companies” and This Procedure.
 - 2. Monitor the trade and the income status, and take necessary action to respond to any unusual transactions and situations with report to the Board at once.
- (IV) The Company shall keep track on derivative trade in a registry specifying the type of derivative trade, the amount of trade, the date of Board resolution, the monthly or weekly assessment reports, and the routine assessment of the Board and the senior officer authorized by the Board.

Chapter IV Merger, Spinoff, Acquisition or acceptance of assigned shares

- XVIII. In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall call for session of the Board for resolution, and consult with certified public accountants, legal attorneys, or securities underwriters for presenting opinions on the rationality of the ratio of share swap, acquisition price, and the distribution of cash or other assets to shareholders, and present to the Board for discussion and resolution. The aforementioned opinion from experts on the rationale of the transactions could be waived for the merger between the Company and a wholly-owned subsidiaries by equity share or capital, or between wholly-owned subsidiaries of the Company by equity share or capital.
- XIX. In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall document the content of important contracts and related matters for disclosure to shareholders before the convention of Shareholders’ Meeting, and also the aforementioned opinions from the

experts and notice of Shareholders' Meeting to shareholders as reference for decision on the merger, spinoff, or acquisition. This provision is waived if the convention of Shareholders' Meeting for resolution of the merger, spinoff, or acquisition are not required by law. If any of the companies participating in the merger, spinoff, or acquisition cannot call for their Shareholders' Meeting, to make decision, or the motion of merger, spinoff, or acquisition is rejected by their Shareholders' Meetings, the Company shall disclose the reasons, subsequent action, and the expected date of Shareholders' Meeting at once.

XX. Unless the law specified otherwise or at the prior consent of FSC, the Company shall call for its session for Shareholders' Meeting for resolution of the merger, spinoff, or acquisition on the same day as other companies participating in the merger, spinoff, or acquisition to make decision.

In participating in the acceptance of assigned shares, the Company shall call for the session of the Board on the same days as other companies participating in the assignment.

The Company shall keep the complete documented record on merger, spinoff, acquisition or acceptance of assigned shares for 5 years as reference.

(I) Basic information on personnel: this will include the executors of the plans for merger, spinoff, acquisition or acceptance of assignment before the disclosure of information, including their occupational titles, names, ID card numbers (passport numbers as in the case of foreign nationals).

(II) Date of materiality: including the signing of statement of intent or MOU, appointment of financial or legal counsels, signing of contracts, and date of Board session.

(III) Essential documents and minutes of meeting on record: this will include the plans of merger, spinoff, acquisition or acceptance of assignment, essential contracts and minutes of Board session on record.

The Company shall, within 2 days after the resolution of the motions on merger, spinoff, acquisition or acceptance of assigned shares, report the information as stated in (I) and (II) to FSC in designated format via the Internet system.

In case some of the participants in the merger, spinoff, acquisition or acceptance of assigned shares of the Company are not listed in TWSE or

GTSM, the Company shall follow (II) and (III) in handling the contracts binding the Company and these participants.

XXI. Ratio of share swap and acquisition price:

The ratio of share swap in merger, spinoff, acquisition or acceptance of assigned shares or the acquisition price shall not be changed unless the following is applicable:

- (I) Raising capital by issuing new shares, offering of convertible corporate bonds, release of stock dividend, offering of corporate bonds with stock options, preferred shares with stock options, subscription warrants, or any other equity securities.
- (II) Disposition of major assets of the Company that influences the financial position and operation status of the Company.
- (III) Occurrence of severe disaster, significant change in technology and others that influence the shareholders' equity or stock price of the Company.
- (IV) Any company participating in the merger, spinoff, acquisition or acceptance of assigned shares proceed to repurchase treasury shares as provided by law.
- (V) Significant change in the number of participants in the merger, spinoff, acquisition or acceptance of assigned shares.
- (VI) Others conditions that could be altered as stated in the contracts, and has been disclosed.

XXII. Inscription of the Contracts

In proceeding to merger, spinoff, acquisition or acceptance of assigned shares, the Company shall explicitly state the rights and obligations of the participants, the conditions for changing the ratio of share swap or acquisition price, and specify the following in the contracts.

- (I) Handling breach of contract.
- (II) The principles for handling equity securities or treasury shares already acquired by the acquiree or the spin-off operation.
- (III) The principles and quantity of treasury shares for that the participants may repurchase as provided by law after the day of share swap ratio calculation.
- (IV) The responses to change in the number of participants.
- (V) Expected progress of the plan and date of completion.

- (VI) If the progress falls behind schedule, the scheduled date of Shareholders' Meeting as provided by law and related procedure for responding to the situation.

XXIII. Important to the Company in participating in merger, spinoff, acquisition or acceptance of assigned shares:

- (I) Parties requesting for participation or acknowledgment of the merger, spinoff, acquisition or acceptance of assigned shares shall undertake confidentiality in writing, and shall not disclose the content of plan before the information is publicly disclosed, and shall not purchase the stocks or equity securities issued by related companies in the name of the party itself or in the name of a third party.
- (II) In case the Company desires to engage in merger, spinoff, acquisition or acceptance of assigned shares after the information on the merger, spinoff, acquisition or acceptance of assigned shares is disclosed, repeat the procedure or act of legality in the original merger, spinoff, acquisition, or acceptance of assigned shares unless otherwise the number of participants decreased, and the Shareholders' Meeting has already resolved to grant the Board with additional empowerment that a new round of Shareholders' Meeting for resolution is necessary.
- (III) If any of the participants in the merger, spinoff, acquisition or acceptance of assigned shares is not a public company, the Company shall enter into an agreement with such company and proceed to Article XXI and the preceding two sections of This Procedure.

Chapter V Other important notice

- XXIV.** In the acquisition or disposition of assets, the Company shall keep related contracts, minutes of meeting on record, registries, appraisal reports, the professional opinions from certified public accountants, legal attorneys, or securities underwriters for at least 5 years unless the law provided otherwise.

The appraisal reports or the professional opinions of certified public accountants, legal attorneys, or securities dealers shall not be issued by professional appraisers and their appraisal personnel, certified public

accountants, legal attorneys or securities dealers shall not be related parties to the Company.

XXV. The professional agency and its appraisers, CPAs, attorneys, or securities underwriters whereby the Company obtains its CPA, attorney, or securities underwriter valuation reports or opinions shall not be related persons to the transaction counterparty and must meet the following requirements:

1. Never been convicted for violation of the Securities and Exchange Act., the Company Act, Banking Act of The Republic of China, Insurance Act, Financial Holding Company Act, Business Entity Accounting Act, or crimes such as fraud, breach of trust, encroachment, falsification of documents, or business crimes and received a final judgment sentence of imprisonment for one year or longer. However, this restriction shall not apply if the sentence has been served and the probation period has expired, or a pardon has been issued for three years.

2. Cannot be an affiliate to the parties in the transaction or de facto relationship status.

3. If the Company must obtain the appraisal reports from two or more professional appraisers, different professional appraisers or their staff may not be related to each other or have a de facto relationship.

When issuing valuation reports or opinions, the preceding appraisers shall comply with the self-discipline regulations of their respective trade associations and abide by the following matters:

1. Carefully assess the professional ability, practical experience, and independence before undertaking the case.

2. Appropriate operating procedures shall be properly planned and implemented during case implementation to form a conclusion and issue a report or opinion letter accordingly. The procedures, data collected, and conclusion shall be documented in the case's paperwork.

3. The appropriateness and rationality of the data sources, parameters, and information used shall be evaluated item by item to serve as the foundation for issuing the valuation report or opinion letter.

4. The declaration items shall include the professionalism and independence of the relevant personnel and specify that the information used has been assessed to be appropriate, reasonable, and in compliance with the relevant laws and regulations.

XXVI. In the acquisition or disposition of assets by the Company in accordance with This Procedure or as required by applicable laws that the approval of the Board is necessary, the Company shall keep record on all adverse

opinions of the Directors on record or in written declaration, if applicable, and circulate to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement with the motions as minutes of meeting on record.

XXVII. This Procedure shall be subjected to the approval of the Board with circulation to the Supervisors for review, and the final approval of the Shareholders' Meeting to cause into effect. The same procedure shall be applicable to any amendment thereto. If the Directors expressed adverse opinions on record or in written declaration, circulate related information to the Supervisors. And shall fully consider the opinions of all Independent Directors, and keep the opinions in agreement or disagreement with the motions as minutes of meeting on record.

If the audit committee has been established in accordance with the provisions of this Law, the procedures for the preparation or revision of this procedure shall be agreed by more than half of the members of the Audit Committee and the resolution to be proposed at the board meeting. If the preceding paragraph is not approved by more than half of all the members of the Audit Committee, it may be agreed by more than two-thirds of all Directors, and the resolutions of the Audit committee shall be stated in the proceedings of the board meeting.

All members of the Audit Committee and all Directors referred to in this Article shall be counted as actual incumbents.