

Orient Semiconductor Electronics, Ltd.

Procedure for Acquisition or Disposal of Assets

May 16, 1995 Establishment
August 24, 1995 Amendment Announcement
November 16, 1999 Amendment Announcement
June 27, 2003 Amendment Announcement
June 21, 2007 Amendment Announcement
June 15, 2012 Amendment Announcement
June 18, 2014 Amendment Announcement
June 15, 2017 Amendment Announcement
June 18, 2019 Amendment Announcement
July 15, 2021 Amendment Announcement

Article 1 Purpose

This procedure has been established in order to protect assets and implement information disclosure.

Article 2 Legal Basis

This procedure is conducted pursuant to Article 36-1 of the Securities and Exchange Act (hereinafter referred to as the "Law") and the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" published by the Financial Supervision Commission (hereinafter referred to as the "FSC"). However, other regulations provided by financial relevant laws shall prevail.

Article 3 Scope of Assets

- I. Securities: includes stocks, government bonds, corporate bonds, financial bonds, securities of outstanding funds, global depository receipt, Call (Put) warrants, beneficiary securities and assets backed securities etc.
- II. Real Estate (including land, house and building, investment property, rights-of-use land, construction industry's inventory) and equipment.
- III. Memberships.
- IV. Intangible assets: includes patents, copyrights, trademarks and concessions.
- V. Rights-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables)
- VII. Derivatives.
- VIII. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares pursuant to laws.
- IX. Other important assets.

Article 4 Definition of Terms

- I. Derivatives: refers to forward contracts, options contracts, futures contracts, leverage contracts and swap contracts whose value is derived from specific interest rates, financial instrument prices, commodity prices, exchange rates, indices of price or rate, credit ratings or credit indexes, or other variables, as well as hybrid contracts combining the above contracts, or hybrid contracts or structured commodities 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.
- II. Assets acquired or disposed of through mergers, de-mergers, acquisitions or transfer of shares in accordance with law: refers to assets acquired or disposed of through mergers, de-mergers or acquisitions pursuant to the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts; or issuance of new shares due to acquisition of shares of another company (hereinafter referred to as the "transfer of shares") stipulated by Paragraph 6 of Article 156-3 of the Company Act.
- III. The related party and subsidiary: shall be determined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: refers to the real estate appraiser or other person who is engaged in appraisal for real estate and other fixed assets pursuant to laws.
- V. The date of occurrence of the facts: refers to the earliest date among the date on which the transaction is signed, the date of payment, the date of closing the deal by delegation, the date registered, the resolution date of the board of directors or other dates on which the counterparty of the transaction and its amount are determined. However, investors who are subject to the approval of the competent authority shall be subject to the earlier date between the aforesaid dates or the date when receiving the approval of the concerned authority.
- VI. Investment in Mainland China: refers to investments in Mainland China pursuant to the Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China published by the Investment Commission, MOEA.

- VII. Professional investors: refers to financial holding companies, banks, insurance companies, bill financing companies, trust enterprises, securities dealers or securities underwriters, futures dealers, securities investment trust enterprises, securities investment consulting enterprises and fund management companies, which are established according to the laws and are governed by the local financial authority.
- VIII. Securities exchange: domestic securities exchange refers to Taiwan Stock Exchange Corporation; overseas securities exchange refers to any securities exchange markets who have an organization and are governed by the securities authority of such country.
- IX. OTC: domestic OTC refers to the special counter for the securities dealers to trade at the places of business of securities firms; overseas OTC refers to the places of business of the financial institutions where are governed by foreign securities authority to operate securities business.
- X. The term "within one year" shall be based on the date of acquisition or disposal of assets and is retroactively calculated for one year. Those that have been announced already shall no longer be counted in.
- XI. The term "latest financial statement" shall refer to the announced audited financial statement pursuant to law before acquisition or disposal of assets by the Company.

Article 5 Maximum Amount for Investment on Real Estate and Securities for Non-Business Purpose

The maximum amount for the Company and its subsidiaries to acquire the aforesaid assets individually is set up as follows:

- I. Total amount of real estate for non-business use shall not exceed 15% of the net worth.
- II. Total amount of investment for long-term securities and short-term securities shall not exceed 150% of the net worth.
- III. The amount of investment for individual security shall not exceed 100% of the net worth.

Article 6 When the Company obtains the appraisal reports or the opinion of CPA, lawyer or securities underwriter, such professional appraiser and its appraisal officers, CPA, lawyer or securities underwriter shall comply with the following regulations:

- I. No violation of the Law, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, the Business Entity Accounting Act, or fraud, breach of trust, embezzlement,

forgery of documents or occupational crime, that is subject to the declaration of more than one year imprisonment. However, completion of service of the sentence, expiration of the period of a suspended sentence or receiving the pardon for three years shall not be subject to the restrictions.

- II. They shall not be the related party or de facto related party with any party of transaction.
- III. In case the Company shall obtain the appraisal reports from two or more professional appraisers, the different professional appraisers or the appraisal officers shall not be the related party or de facto related party of each other.

When the persons stated in the preceding paragraph issue the appraisal report or their opinions, they shall comply with the following items:

- I. Prior to accepting a project, they shall carefully assess themselves the professional ability, the practical experience and the independence.
- II. When auditing a project, they shall properly plan and perform the appropriate operational procedures to work out the conclusions and issue the report or opinions. The procedure performed, the data collected and conclusions shall be recorded in detail in the working paper of such project.
- III. The source, parameters and information of the data used shall be assessed item by item for its completeness, accuracy and reasonableness to become the basis of the issuance of appraisal report or opinions.
- IV. The statement items shall include the professionalism and independence of the relevant persons, the reasonableness and accuracy of the information used for appraisal and the compliance with the relevant laws.

Article 7 Procedure for Acquisition or Disposal of Real Estate, Equipment or Its Rights-of-Use Assets

I. Appraisal and Operating Procedure

The real estate, equipment or its rights-of-use assets acquired or disposed of by the Company shall be subject to this procedure.

II. Decision Procedure for Transaction Conditions and Authorized Maximum Amount

- (I) The acquisition or disposal of real estate shall refer to the announce current value, appraised value and actual transaction price of

adjacent real estate, etc. The transaction conditions and transaction price determined shall be prepared in an analysis report and submitted to the president; its amount shall be approved according to the rule of hierarchical authorization.

- (II) The acquisition or disposal of equipment or its rights-of-use assets shall be made by way of price inquiry, price comparison, price negotiation or bidding; its amount shall be approved according to the rule of hierarchical authorization.

III. Executive Department

After the real estate or other fixed assets acquired or disposed of by the Company are approved according to the authorization or approval of the preceding sub-paragraph, the custodial department, accounting department and administration department shall be responsible for the implementation.

IV. Appraisal Report of Real Estate, Equipment or Its Rights-of-Use Assets

Except for trading with domestic government, engaging others to build on its own land, engaging others to build on rented land, or acquiring/disposing equipment or its rights-of-use assets for business use, for the acquisition or disposal of real estate, equipment or its rights-of-use assets, when the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall obtain the appraisal report (the items that shall be stated in the appraisal report are specified in Annex 1) issued by the professional appraiser before the date of occurrence of the facts and shall meet the following requirements:

- (I) When the transaction price refers to the prescribed price, specific price or special price due to special reasons, such transaction shall first be reported to the board of directors for a resolution. If the transaction condition changes afterwards, it shall also apply the same procedure.
- (II) Where the transaction amount reaches NT\$1 billion or more, it shall be appraised by 2 or more professional appraisers.
- (III) Where the appraised results by the professional appraiser has one of the following circumstances, it shall, unless the appraised results for acquisition of the assets are all higher than the transaction amount or the appraised results for disposal of the assets are all less than the transaction amount, consult with the CPAs in accordance with the Statement of Auditing Standards No.

20 published by the ROC Accounting Research and Development Foundation (hereinafter referred to as the "ARDF"), and express specific opinions regarding the reasons for the discrepancy and the appropriateness of the transaction price:

1. The discrepancy between appraised results and transaction amount reaches 20% or more of the transaction amount.
2. The discrepancy of the appraised results between the 2 professional appraisers reaches 10% or more of the transaction amount.

(IV) The date on which the professional appraiser issues the report and the date of the established contract shall not exceed three months. However, if it applies the same period of the announced current value and does not exceed three months, the original professional appraiser may issue a written opinion.

(V) When the Company acquires or disposes of the assets through the court auction procedure, the certificated documents issued by the court may replace the appraisal report or CPA's opinions.

Article 8 Procedure for Acquisition or Disposal of the Investment of Securities

I. Appraisal and Operating Procedure

The purchase and selling of long-term securities and short-term securities by the Company shall be subject to this procedure.

II. Decision Procedure for Transaction Conditions and Authorized Maximum Amount

(I) For the securities that are traded in the centralized securities exchange or the OTC, the department in-charge shall refer to the market conditions to determine. At the same time, it shall also provide an analysis report regarding the unrealized gain or loss for long-term securities and short-term securities. Its amount shall be approved according to the rule of hierarchical authorization.

(II) For the securities that are not traded in the centralized securities exchange or the OTC, before the date of occurrence of the facts, the department in-charge shall obtain the latest audited financial statements of the targeted company for reference to appraise the trading price by considering its net worth per share, profitability and further development potentials, etc. ; and at the same time, it shall provide an analysis report regarding the unrealized gain or loss for long-term securities and short-term securities. Its amount shall be approved according to the rule of hierarchical

authorization.

III. Executive Department

After the Company's investment of long-term securities and short-term securities is approved pursuant to the authorization of approval in the preceding paragraph, the accounting/finance department shall be responsible for the execution.

IV. Obtaining Expert's Opinions

- (I) When the transaction amount of the securities acquired or disposed of by the Company reaches 20% of the Company's paid-in capital or NT\$300 million or more, it shall consult with the CPA for its opinions on the reasonableness of the transaction price before the date of occurrence of the facts. If the CPA needs to adopt the expert report, it shall be conducted pursuant to the Statement of Auditing Standards No. 20 published by the ARDF. However, provided that such securities have quoted prices from the active market or otherwise provided by the securities authority, it shall not be subject to this restriction.
- (II) When the Company acquires or disposes of assets through the court auction procedure, the certificated documents issued by the court may replace the appraisal report or the CPA's opinions.

Article 9 Transaction with the Related Party

- I. When the Company acquires or disposes of assets from the related parties, except for compliance with the procedure for the acquisition of real estate stated in Article 7, it shall comply with the following regulations to conduct the relevant resolution procedure and evaluate the reasonableness of trading conditions. Besides, when the transaction amount reaches 10% or more of the Company's total assets, the appraisal report issued by the professional appraiser or the CPAs' opinions shall also be obtained pursuant to Article 7, Article 8 and Article 10. The transaction amount of the preceding paragraph shall be calculated pursuant to Article 10-1. In addition, when it judges whether or not the transaction counterparty is the related party, in addition to paying attention to its legal form, the substantial relationship shall be considered.
- II. Appraisal and Operating Procedure
When the Company acquires or disposes of real estate or its right-of-use assets from the related party, or when it acquires or disposes of other assets other than real estate or its right-of-use assets

from the related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the total assets or NT\$300 million or more, in addition to trading in domestic government bonds, or bonds with re-purchase and re-sale agreements or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the following information shall be approved by more than one-half of all members of the audit committee and shall be reported to the board of directors for resolution before signing the transaction contract and making payment:

- (I) The purpose and necessity for acquisition or disposal of assets and its anticipated benefits.
- (II) The reasons for selecting the related party as the transaction counterparty.
- (III) The relevant information that assesses the reasonableness of the pre-determined trading conditions for the acquisition of the real estate or its rights-of-use assets from the related party pursuant to Sub-paragraph (I) and Sub-paragraph (IV) of Paragraph 3 of this Article.
- (IV) The date and price at which the related party originally acquired, as well as the original transaction counterparty and its relationship with the Company and the related party, etc.
- (V) Monthly cash flow forecast in the coming year starting from the month expected to sign the contract and assess the necessity of transaction and reasonableness of the use of the fund.
- (VI) The appraisal report issued by the professional appraiser or the opinions from CPAs pursuant to the first Paragraph of this Article.
- (VII) The restrictions of this transaction and other important appointment items.

The transaction amount in the preceding paragraph shall be calculated pursuant to Subparagraph (V) of first Paragraph of Article 14. The term "within one year" shall be based on the date of occurrence of the facts for the transaction and is retro-actively calculated for one year. Those that have been approved by more than one-half of all members of the audit committee and have been reported to the board of director for resolution shall not be counted in.

When the following transactions are engaged between the Company, its parent company or its subsidiaries, or between the subsidiaries whose

shares issued or total capital are 100% held by the Company directly or indirectly, the board of directors may authorize the chairperson to approve them first within a certain amount pursuant to the Sub-paragraph 3 of first Paragraph of Article 7 and afterward shall be reported to the latest board of director for ratification.

(I) Acquisition or disposal of equipment or its rights-of-use assets for business use.

(II) Acquisition or disposal of real estate or its rights-of-use assets for business use.

III. Assessment for the Reasonableness of the Transaction Cost

(I) When the Company acquires the real estate or its rights-of-use assets from the related party, it shall conduct the following methods to appraise the reasonableness of the transaction cost:

1. The transaction amount with the related party shall be added by the necessary interest of the fund and the cost that shall be borne by the buyer pursuant to law. The term "necessary interest of the fund" shall be calculated based on the weighted average interest rates of the borrowings for the year in which the assets are purchased by the Company. However, it shall not be higher than the maximum borrowing interest rate of the non- financial industry announced by the Ministry of Finance.

2. Total appraisal value loaned on such subject matter from the financial institutions, if the related party is used to set up the mortgages on such subject matter to the financial institutions; however, the actual accumulated amount loaned by the financial institution on such subject matter shall reach 70% or more of the total appraisal value loaned and the loan period shall have been more than one year. However, this shall not be applicable if the financial institution and the transaction counterparty are the related parties.

(II) If the lands and houses of the same subject are purchased or leased together, the transaction cost of the lands and houses shall be appraised, respectively, according to any one of the methods listed in the preceding paragraph.

(III) When the Company acquires the real estate or its rights-of-use assets from the related party, it shall appraise the cost of the real estate pursuant to Sub-paragraphs (I) and (II) of Paragraph 3 of

this Article and shall consult with CPA for review and expression of specific opinions.

(IV) Where the Company acquires the real estate or its rights-of-use assets from the related party to carry out the appraisal pursuant to the Sub-paragraphs (I) and (II) of Paragraph 3 of this Article, provided that the appraisal result is less than the transaction price, it shall be subject to Sub-paragraph (V) of Paragraph 3 of this Article. However, if there are the following circumstances and the objective evidence can be provided as well as the specific reasonable opinions from the real estate professional appraisers and CPAs can be obtained, it shall not be limited to this restriction:

1. When the related party acquires the undeveloped land or leased land for construction, its evidences shall meet one of the following conditions:

- (1) The undeveloped land is appraised according to the regulations of the preceding article and the house is based on the related party's construction cost plus the reasonable construction margin; the total amount of the above appraisal exceeds the actual transaction price. The aforesaid reasonable construction margin shall be the average operating margin of the related party's construction department in the latest three years or the latest construction industry's margin ratio announced by the Ministry of Finance, whichever is lower.

- (2) For the transaction cases from other unrelated parties in other floors of the same subject's premise or the adjacent areas within one year, its measurements are similar and the terms of transaction that are appraised by the consideration of the reasonable price discrepancies in floors or areas according to the practice of transactions or lease of real estate are similar.

2. The Company provides evidence that proves the transaction terms for real estate or the lease to acquire the real estate rights-of-use assets from the related party are similar to the terms of transaction cases of other unrelated parties in the adjacent area within one year and the measurements are similar as well. The aforesaid transaction cases in the

adjacent area shall refer to the same or adjacent street and the distance to the transaction subject is less than 500 meters or its announced current value is equivalent in principle. The similar measurement herein shall refer to the transaction cases of other unrelated parties and that its measurements are not less than 50% of the measurements of the trading subject in principle. The aforesaid "within one year" shall be based on the date of occurrence of the facts for the acquisition of real estate or its rights-of-use assets and is retro-actively calculated for one year.

(V) Where the Company acquires the real estate or its rights-of-use assets from the related party, if the appraisal results, pursuant to Sub-paragraph (I) and (II) of Paragraph 3 of this Article, is lower than the transaction price, the following matters shall be conducted. And when the Company and the public company who invests in the Company with the equity method have set aside the special reserve pursuant to aforesaid regulations, such special reserve shall not be utilized before the assets that are purchased or leased at a higher price have recognized the valuation loss or have been disposed of or have terminated the lease contract or have been adequately compensated or have been restored or other evidences to ensure that there is no unreasonable and have been approved by the securities authorities.

1. With respect to the variance between the transaction amount of the real estate or its rights-of-use assets and the appraisal cost, the Company shall, pursuant to Paragraph 1 of Article 41 of the Securities and Exchange Act, set aside the special reserve and it shall not be distributed or transferred for capital increase and stock dividends. An investor who invests in the Company using the equity method is a public company shall also set aside the special reserve in proportion to its shareholdings pursuant to Paragraph 1 of Article 41 of the Securities and Exchange Act.
2. The independent directors as the members in the Company's audit committee shall be applicable to Article 218 of the Company.
3. The execution situation for point 1 and point 2 of Sub-paragraph (V) of Paragraph 3 of this Sub-paragraph shall

be reported to the shareholders' meeting, and the transaction detailed content shall be disclosed in the annual report and the prospectus.

(VI) Where the Company acquires real property from a stakeholder and one of the following circumstances exists, the acquisition shall be conducted in accordance with the evaluation and operating procedure referred to in Paragraph 2 of this Article, while the evaluation on reasonableness of transaction costs requirements referred to in the sub-paragraphs (I), (II) and (III) of this paragraph shall not apply:

1. The related party acquires the real estate or its rights-of-use assets due to inheritance or grant.
2. There have been more than 5 years from the time the contract was signed by the related party to acquire the real estate or its rights-of-use assets to the date of current transaction signed.
3. The real estate is acquired through signing a joint construction contract with the related party or assigning the related party to build the real estate on its own land or on rented land.
4. The real estate rights-of-use assets for business use are acquired between the Company, its parent company and its subsidiaries, or between its subsidiaries whose issued shares or total capital are 100% held by the Company directly or indirectly.

(VII) Where the Company acquires the real estate or its rights-of-use assets from the related party, if there is other evidence that proves that the transaction has irregular business practices, it shall also be conducted pursuant to Sub-paragraph (V) of Paragraph 3 of this Article.

Article 10 Procedure for Acquisition or Disposal of Memberships or Intangible Assets or its rights-of-use assets

I. Appraisal and Operating Procedure

The memberships or intangible assets or its rights-of-use assets acquired or disposed of by the Company shall be subject to this procedure.

II. Decision Procedure for Transaction Conditions and Authorized

Maximum Amount

- (I) The acquisition or disposal of memberships shall refer to the fair market price. The resolutions of the trading conditions and transaction price shall be prepared as an analysis report and shall

be reported to the president. If its amount is NT\$5 million or less, it shall be approved by the president and afterward shall be reported to the latest board of directors; if exceeding NT\$5 million, it shall be reported to the board of directors for approval.

(II) The acquisition or disposal of the intangible assets or its rights-of-use assets shall refer to the expert's appraisal report or the fair market price. The resolutions of the trading conditions and transaction price shall be prepared as an analysis report and shall be reported to the president. If its amount is NT\$50 million or below, it shall be approved by the chairperson and afterward shall be reported to the latest board of directors meeting for information; if exceeding NT\$50 million, it shall be reported to the board of directors for approval.

(III) Where the Company acquires or disposes of assets that shall be approved by more than one-half of all members of the audit committee pursuant to the established procedure or other laws, afterwards it shall report to the board of directors for resolution.

III. Executive Department

After the memberships or intangible assets or its rights-of-use assets acquired or disposed of by the Company are approved pursuant to the authorization of approval in the preceding paragraph, the using department, accounting department and administrative department shall be responsible for implementation.

IV. Expert's Appraisal Opinions Report for Memberships or Intangible Assets

When the transaction amount of the memberships or intangible assets acquired or disposed of by the Company reaches 20% of the Company's paid-in capital or NT\$300 million or more, except for the transaction with domestic governmental institution, the CPA shall be consulted to express the opinions on the reasonableness of the transaction price before the date of occurrence of the facts; and the CPA shall conduct pursuant to the Statement of Auditing Standards No. 20 published by the ARDF.

Article 10-1

The transaction amount stated in Article 7, Article 8 and Article 10 shall be calculated pursuant to Sub-paragraph (V) of Paragraph 1 of Article 14; and the term "within one year" shall be based on the date of occurrence of the fact for the transaction and shall be retroactively calculated for one year.

Those who have obtained the appraisal report issued by the professional appraiser or the CPA's opinions pursuant to this procedure shall not be counted in.

Article 11 Procedure on the Acquisition or Disposal of a Financial Institution's Claims

The Company does not engage in the transaction of the acquisition or disposal of a financial institution's claims in principle. If the Company intends to engage in the transaction of acquisition or disposal of a financial institution's claims in the future, it shall report to the board of directors for approval and then establish the procedure for its appraisal and operation.

Article 12 Procedure for the Acquisition or Disposal of Derivatives

I. Transaction Principle and Guidelines

(I) Transaction Type

1. The derivative financial commodities engaged by the Company refers to a transaction contract whose value is derived from assets, interest rates, exchange rates, indices or other commodity benefits etc. (such as forward contracts, options, futures, interest rate or exchange rate and swap, and hybrid contracts combining the above commodities, etc.).
2. The matters related to bond margin transactions shall be subject to the relevant regulations of this procedure. The engagement in the transaction of bonds under a re-purchase agreement shall not apply to this procedure.

(II) Operation (Hedge) Strategy

The Company shall aim at avoiding the risk to engage in the transaction of derivative financial commodities. The trading products shall be selected to avoid the risks arising from the Company's operation. The currency held must be in line with the foreign currency demands from the Company's actual import and export transactions and shall be based on the principles that the Company's overall internal position (referring to foreign currency income and expenses) can be squared off by itself in order to reduce the Company's overall risk on foreign exchange and save the cost on foreign exchange operation. Other specific purpose transactions shall be carefully evaluated and shall be reported to the board of directors for approval before proceeding.

(III) Delegation of Authorization and Duties

1. Finance/Accounting Department

(1) Trader

- A. Be responsible for the strategy establishment for the entire financial commodities transactions for the Company.
- B. The traders shall regularly calculate the position every two weeks, collect market information, justify the tendency and evaluate the risk as well as draft the operating strategy that will be the trading basis after approval by the authorized hierarchy.
- C. Execute transactions according the authorized limits and the established strategy.
- D. When the financial market has material changes and the trader judges that the existing established strategy is not applicable, the trader shall provide the assessment report at any time and renew the established strategy that shall be approved by the president as the basis of the trading.

(2) Finance/Accounting Personnel

- A. Performing the transaction confirmation.
- B. Review whether the transaction is proceeded based on the authorized limits and the established strategy.
- C. Proceed with monthly assessments and report the assessment to the president.
- D. Accounting processing.
- E. Reporting and announcement according to the regulations of the security authority.

(3) Settlement Personnel: perform settlement tasks.

(4) Derivatives Authorized Limits

A. Hedging Trading Authorized Limits

Approver	Daily trading limits	Net Accumulated Position Trading Limits
Chief of Finance Manager	USD 1 million and below	USD 2 million and below
Chief of General Administration Division	USD 2 million and below	USD 5 million and below
President	USD 4 million and below	USD 10 million and below

- B. Other specific purpose transactions shall be reported to the board of directors for approval before proceeding.

C. Where the Company acquires or disposes of assets that shall be approved by more than one-half of all members of the audit committee pursuant to the established procedure or other laws, afterwards it shall be reported to the board of directors for resolution.

2. Audit Department

Be responsible for understanding the appropriateness of internal control for the derivatives trading, auditing the compliance of the operating procedures for the trading department, analyzing the trading cycle and preparing an audit report. Any material deficiency shall be reported to the board of directors.

3. Performance Evaluation

(1) Hedging transaction

A. The profit and loss generated from the derivatives financial transactions with the exchange rate booking cost shall be the basis of the performance evaluation.

B. In order to completely control and express the evaluation risk of the transaction, the Company adopts the monthly evaluation method to assess the profit and loss.

C. The finance department shall provide the evaluation for foreign exchange position, the foreign exchange market trend and market analysis to the president as a management reference and instructions.

(2) Specific Purpose Transactions

The actual profit and loss generated shall be the basis of the performance evaluation and the finance department shall regularly prepare the report for its position for management reference.

4. Establishment for Total Contact Amount and Loss Limit

(1) Total Contract Amount

A. Maximum Amount of Hedging Transactions

The finance department shall control the Company's overall position to avoid the trading risk. The hedging trading amount shall not exceed one-half of the Company's overall net position; any amount

exceeding one-half of the overall net position shall be reported to president for approval.

B. Specific Purpose Transactions

Based on the forecast of market changes, the finance unit may formulate the strategy as needed and report to the president and chairperson for approval before execution. The total contract amount of the Company's overall net accumulated position for the specific purpose transaction shall be limited to USD 10 million. When exceeding the aforesaid amount, it shall be subject to the approval of the board of directors and follow its strategic instructions before execution.

(2) Establishment of Loss Limit

A. The hedging transactions are made to avoid the risk, so it is not necessary to set a limit for loss.

B. In the case of a transaction contract for special purposes, after the position is established, a stop loss point shall be set to prevent an excess loss. The stop loss point shall not exceed 10% of the transaction contract amount. In case the loss amount exceeds 10% of the transaction amount, it shall be reported to the president immediately and shall be reported to the board of directors to discuss the necessary countermeasures.

C. The loss amount for the individual contract shall not exceed USD 20,000 or 5% of the transaction contract amount, of which the lower amount is the limit of loss.

D. The maximum annual loss for the specific purpose trading operations for the Company shall be limited to USD 300,000.

II. Risk Management Measures

(I) Credit Risk Management

Because various factors will change the market, it is easy to cause operating risks of derivatives financial commodities. With respect to market risk management, it shall be conducted according to the following principles:

Transaction Counterparty: mainly domestic and famous foreign

financial institutions.

Trading Product: limited to the products provided by the domestic and famous foreign financial institutions.

Transaction Amount: the amount of open position for the same transaction counterparty shall not exceed 10% of the total authorized amount; however if it is approved by the president, this restriction shall not be applicable.

(II) Market Risk Management

The open foreign exchange market provided by banks is the main market and the futures market is not considered at the moment.

(III) Liquidity Risk Management

In order to ensure the market liquidity, the financial products are mainly selected with higher liquidity (that is, it can be squared off at any time in the market). The financial institutions that we delegated with the transaction shall have sufficient information and the capability of trading in any market at any time.

(IV) Cash Flow Risk Management

In order to ensure the stability of the Company's working capital's turnover, the source of funds for the Company's derivatives trading is limited to its own funds. Its operated amount shall take into account the fund demand according to the cash flow forecast in the coming three months.

(V) Operational Risk Management

1. The Company's authorized maximum amount, operating procedure and internal audit shall be adhered to in order to avoid operating risks.
2. Traders who are engaged in derivatives trading and the operators who are responsible for confirmation and settlement shall not act for each other.
3. The persons who are responsible for risk measurement, supervision and controlling shall be in different departments from the persons stated in the preceding sub-paragraph, and shall report to the board of directors or senior executives who are not responsible for making the decision on the transaction or the position.
4. The holding position for the derivatives trading shall be

evaluated at least once a week. However, the hedging transactions for the business demand shall be evaluated at least twice a month. Its appraisal report shall be submitted to the senior executives who are authorized by the board of directors.

(VI) Commodity Risk Management

Internal traders shall have complete and correct professional knowledge for financial commodities and shall ask banks to fully disclose the risks to avoid the misuse risk of financial commodities.

(VII) Legal Risk Management

The document to be signed with financial institutions shall be reviewed by the professional persons from foreign the exchange unit, the legal and law counsel before being officially signed to avoid legal risks.

III. Internal Audit System

(I) The internal auditor shall regularly understand the appropriateness of internal control for derivatives trading, monthly audit the compliance of the trading department on derivatives trading procedure, analyze the transaction cycle and prepare the audit report. In the event of any material violations, it shall be notified to the audit committee in writing.

(II) The internal auditor shall make the audit reports and the annual auditing situation of the internal audit operations to the Securities and Futures Bureau before the end of February of the following year; and the improvement situation for any abnormal items shall be reported to the securities authority for reference by the end of May of the following year.

IV. Regularly Evaluation Method

I. The board of directors shall authorize the senior executives to regularly supervise and evaluate whether or not the derivatives trading are actually conducted according to the transaction procedures established by the Company and whether or not the risk borne is within the undertaking scope allowed. When there is an abnormal situation in the market price appraisal report (such as the holding position has exceeded the limit of loss), it shall be reported to the board of directors immediately and shall take the appropriate countermeasures.

- II. The holding position for the derivatives trading shall be evaluated at least once a week. However, the hedging transactions for the business demand shall be evaluated at least twice a month. Its appraisal report shall be submitted to the senior executives who are authorized by the board of directors.

V. The Supervision Management Principles of the Board of Directors When Engaging in Derivatives Trading

- (I) The board of directors shall appoint the senior executives to always pay attention to the supervision and control for the risk of the derivatives trading. Its management principles are as follows:
 - 1. To regularly evaluate whether or not the current used risk management measures are appropriate and make sure to conduct them in accordance with this procedure and the procedure for derivatives trading established by the Company.
 - 2. To supervise the trading and its profit and loss. In the event of an abnormal circumstance, the necessary countermeasures shall be taken and the board of directors shall be informed immediately. If the Company has set up the independent directors, they shall attend such board of directors' meeting and express their opinions.
- (II) To regularly evaluate whether or not the performance of the derivatives trading meets the established operating strategy and whether or not the risk borne is within the scope allowed by the Company.
- (III) When the Company engages in the derivatives trading and authorizes the related persons to execute it pursuant to the established procedure for derivatives trading, it shall be reported to the latest board of director afterwards.
- (IV) When the Company engages in the derivatives trading, it shall set up the memorandum book. The type of the derivatives trading, its amount, the date approved by the board of directors and the items that shall be carefully assessed according to Sub-paragraph (II) of Paragraph 4 and Sub-paragraph (I) and (II) of Paragraph 5 in this Article shall be recorded in detail on the memorandum book for reference.

Article 13 Procedure for Mergers, De-mergers, Acquisitions or Transfer of Shares

I. Appraisal and Operating Procedure

- (I) When the Company conducts the mergers, de-mergers,

acquisitions or transfer of shares, the lawyers, CPAs and underwriters are recommended to be invited to jointly discuss the statutory procedures and its estimated timetable; and the project team shall be organized to execute it according the statutory procedures. Before convening the board of directors for resolution, the CPAs, lawyers or underwriters shall be appointed to express their opinions on the reasonableness of the share exchange ratio, acquired price or distributing cash or other properties to the shareholders' meeting and it shall be reported to the board of directors' meeting for approval. However, if the parent company merges its subsidiaries whose issued shares or total capital are 100% held by the Company directly or indirectly, or the merger between its subsidiaries whose issued shares or total capital are 100% held by the Company directly or indirectly, the aforesaid experts' opinions on reasonableness are exempt from having to be obtained.

- (II) Before the shareholders' meeting, the important agreed upon contents and related matters for the Company's mergers, de-mergers or acquisitions shall be prepared into the public documents for the shareholders, together with the experts' opinions stated in Sub-paragraph (I) of Paragraph 1 of this Article as well as the meeting notice, and shall be submitted to the shareholders as a reference for whether or not to agree with such merger, de-merger or acquisition. However, if other laws stipulate that the shareholders' meeting may not be held to resolve the matters of mergers, de-mergers or acquisitions, it shall not be subject to this restriction. In addition, with respect to any of the companies who participates in the mergers, de-mergers or acquisition, its shareholders' meeting is unable to be convened and resolved due to insufficient attendance and voting rights or other legal restrictions, or the proposal is rejected by the shareholders' meeting, such company shall immediately publicly explain the reasons for the occurrence, the subsequent processing and the date of the expected shareholders' meeting.
- (III) When the Company conducts the mergers, de-mergers, acquisitions or transfer of shares, the following information shall be fully included into the minutes and shall be kept for 5 years

for verification:

1. **Basic Personnel Information:** includes all persons who participate in the planning of mergers, de-mergers, acquisitions or transfer of shares before the news is published and its executors, their positions, names, identification card number (passport number for foreigner).
 2. **Date of Important Matters:** includes the date of signing the letter of intent or memorandum, the financial or legal counsel delegated, signing the contract and the board of directors, etc.
 3. **Important Letters and Meeting Minutes:** include the plans for the mergers, de-mergers, acquisitions or transfer of shares, the letter of intent, memorandum, important contract and the meeting minutes for the board of directors', etc.
- (IV) The information stated in the preceding Sub-paragraphs 1 and 2 shall be declared with the defined format through the internet information system to the FSC within 2 days from the date of approval by the board of directors.
- (V) Where a company who participates in the mergers, de-mergers, acquisitions or transfer of shares is neither the public company nor its shares are traded in OTC, the Company shall comply with the regulations of Sub-paragraphs (III) and (IV) to sign the agreement with such company.

II. Other Precautionary Matters

- (I) **Date of the board of director:** a company who participates in the mergers, de-mergers or acquisitions shall, except when otherwise provided by law or special factors approved by the board of directors in advance, holds the board of directors meeting and the shareholders' meeting on the same day to resolve the related matters of the mergers, de-mergers or acquisitions. A Company who participates in the transfer of shares shall, except when otherwise provided by law or special factors approved by the securities authority in advance, holds the board of directors' on the same day.
- (II) **Confidentiality commitment beforehand:** all persons who participate in or know the Company's plans for mergers, de-mergers, acquisitions or transfer of shares shall submit a written confidentiality commitment. Before the information is published, they shall neither disclose the contents of the plans to

others nor trade the stocks and other equity-type securities of all companies related to mergers, de-mergers, acquisitions or transfer of shares on their own or in the name of others.

(III) Principle for setting and changing the share exchange ratio or acquired price: the companies who participate in the mergers, de-mergers, acquisitions or transfer of shares shall, before both parties' board of directors, assign CPAs, lawyers or the securities underwriters to express their opinions on the reasonableness of the share exchange ratio, acquired price or distributing cash or other properties to the shareholders and shall report them to the shareholders' meeting. In principle, the share exchange ratio or acquired price shall not be changed arbitrarily; however, if the contract has specified the conditions of the change and has disclosed publicly, it shall not be subject to this restriction. The share exchanges ratio or acquired price may be changed based on the following conditions:

1. Conducting the capital increase by cash, issuance of the convertible bonds, distribution of stock dividends, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants and other equity-type securities.
2. The Company disposes of the major assets and other activities that impact the Company's financial operation.
3. Material disasters and material technological changes that impact on the shareholders' rights and interests or the securities' prices.
4. Any of the companies who participate in the mergers, de-mergers, acquisitions or transfer of shares buys back the treasury stock for adjustment according to laws.
5. The main entity or the number of entities who participates in the mergers, de-mergers, acquisitions or transfer of shares has changed.
6. The contract has specified the other change conditions and has them disclosed publicly.

(IV) The contents that shall be stated in the contract: the contract for the mergers, de-mergers, acquisitions or transfer of shares shall, except for the regulations of Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, specify the following items:

1. Dealing with the violation.
 2. The processing principles for the equity-type securities previously issued by or the treasury stocks previously bought back by the companies that are extinguished in a merger or are demerged.
 3. The number of treasury shares bought back by the participating companies after the target date of calculating the share exchange ratio and their processing principles.
 4. The processing principles for the changes on the main entity or the number of entities participating.
 5. The executing progress of the estimated plans and the estimated completion schedule.
 6. When the plan is not completed before the scheduled deadline, the date of the scheduled shareholders' meeting according to law and other relevant processing procedures.
- (V) Changes in the number of the companies who participate in the mergers, de-mergers, acquisitions or transfer of shares: where the information of the mergers, de-mergers, acquisitions or transfer of shares has been disclosed publicly, if any of the participating companies intends to merge, de-merge, acquire or transfer shares with another company, the procedures or legal actions that have been completed towards the original mergers, de-mergers, acquisitions or transfer of shares shall be re-done by all the participating companies; except when the number of the participating companies is decreased and the shareholder's meeting has resolved and authorized the board of directors to change the limits of authorization; in that event the participating companies are exempted from holding another shareholders' meeting to resolve the new matters.
- (VI) When a company who participates in the mergers, de-mergers, acquisitions or transfer of shares is not a public company, the Company shall sign the agreement with such company and shall be subject to the date of the board of directors' meeting stipulated in Sub-paragraph (I), the confidentiality commitment beforehand stipulated in Sub-paragraph (II) and the changes in the number of the companies who participate in the mergers, de-mergers, acquisitions or transfer of shares stipulated in Sub-paragraph (V), under the Paragraph 2 of this Article.

Article 14 Information Disclosure Procedures

I. Announcement Items and Standards

- (I) Where acquisition or disposal of real estate or its rights-of-use assets from the related party, or where acquisition or disposal of other assets other than real estate or its rights-of-use assets from the related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the total assets or NT\$300 million or more. However, trading in domestic government bonds, bonds with repurchase and resale agreement, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises shall not be subject to this restriction.
- (II) Proceedings for the mergers, demergers, acquisitions or transfer of shares.
- (III) The loss of the derivatives trading reaches the maximum limited loss amount of the whole or individual agreement stipulated in the procedure established.
- (IV) Assets acquired or disposed of are the equipment or its rights-of-use assets for business use, and its transaction counterparty is not the related party, and the transaction amount reaches one of the following regulations:
 - 1. Paid-in capital does not reach NT\$10 billion and the transaction amount reaches NT\$500 million or more.
 - 2. Paid-in capital reaches NT\$10 billion or more and transaction amount reaches NT\$2 billion or more.
- (V) Where the Company engages in construction business to acquire or dispose of the real estate or its rights-of-use assets for construction use, its transaction counterparty is not the related party and its transaction amount reaches NT\$500 million or more. Among which, if a company whose paid-in capital reaches NT\$10 billion or more disposes of the completed construction of real estate which is built by itself and the transaction counterparty is not the related party, the threshold for transaction amount shall be NT\$1 billion or more.
- (VI) Where the real estate is acquired by the way of building on its own land, building on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale,

its transaction counterparty is not the related part and the estimated transaction amount invested by the Company reaches NT\$500 million or more.

(VII) Except for the preceding six sub-paragraphs, for the assets transactions, the claims of the financial institutions or investment in mainland China, its transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more. However, the following circumstances are not subject to the restrictions herein:

1. Trading domestic government bonds.
2. Where a professional investor trades the securities on domestic or oversea securities exchanges or OTC, or where a securities firm subscribes the ordinary corporate bond or general bank debentures without equity characteristics (excluding subordinated debentures) that are offered and issued in the domestic primary market, or subscribes or redeems the securities investment trust fund or future trust fund, or where a securities firm subscribes the securities due to the demand of its underwriting business or the regulations from the Taipei Exchange for acting as the counseling recommending securities firms for an emerging stock company.
3. Trading in bonds with re-purchase and re-sale agreement or subscription of redemption of money market funds issued by domestic securities investment trust enterprises.

(VIII) The transaction amount stated in this paragraph shall be calculated as follows, and the term "within one year" shall be based on the date of occurrence of the facts for the transaction and shall be retroactively calculated for one year. Those that have already announced according to regulations shall not be counted in.

1. The amount of each transaction.
2. The accumulated transaction amount of acquisition or disposal of the same character with the same transaction counterparty within one year.
3. The accumulated amount of acquisition or disposal of (acquisition and disposal are accumulated respectively) real estate or its rights-of-use assets for the same development project within one year.

4. The accumulated amount of acquisition or disposal of (acquisition and disposal are accumulated respectively) the same securities within one year.

II. Deadline of Announcements and Declarations

When the Company acquires or disposes of the assets that contain the announced the items stated in the paragraphs of this article and the transaction amount reaches the standards of the announcement stipulated in this article, such transaction shall be announced within 2 days from the date of occurrence of the facts.

III. Announcement and Declaration Procedure

- (I) The Company shall report the relevant information to the website designated by the securities authority for the announcement.
- (II) The Company shall, on a monthly basis, enter the derivatives transactions information for the Company and its non-domestic subsidiaries as of the end of the previous month with the defined format into the website designated by the securities authority before 10 days of each month.
- (III) For the items that should be announced according to the regulations, if there are any errors or omissions for the announcement that should be remedied, the Company shall re-declare all items within 2 days from the date of knowing.
- (IV) When the Company acquires or dispose of the assets, the relevant contracts, the meeting minutes, the memorandum book, the appraisal reports, the opinions of the CPAs, the lawyers or the securities underwriters shall be kept by the Company at least 5 years, unless otherwise provided by laws.
- (V) After the Company announces the transactions according to the regulations of the preceding article, in the event of one of the following circumstances, the relevant information shall be declared in the website designated by the securities authority within 2 days of the date of occurrence of the facts:
 1. The relevant signed contracts for the original transaction have been changed, terminated or cancelled.
 2. The mergers, demergers, acquisitions or transfer of shares are not completed according to the contractual estimated schedule.
 3. The contents of the original announcement have been changed.

IV. Announcement Format

- (I) When the Company trades the securities of its parent company, subsidiaries or affiliates in the centralized securities markets or OCT markets at home or overseas, the announcement format of the items and contents that shall be announced is as shown in Annex 2.
- (II) When the real estate is acquired by the way of building on its own land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, the announcement format of the items and contents that shall be announced is as shown in Annex 3.
- (III) When acquiring or disposing of real estate or other fixed assets or its rights-of-use assets, or acquiring real estate from the related party, the announcement format is as shown in Annex 4.
- (IV) The announcement format for the securities, memberships, intangible assets and the claims of the financial institutions that are not traded in the centralized securities market or OCT market is as shown in Annex 5.
- (V) The announcement format for the investment in main China is as shown in Annex 6.
- (VI) The announcement format for the derivatives transactions that shall be announced within 2 days from the date of occurrence of the facts is as shown in Annex 7-1.
- (VII) The announcement format for the derivatives transactions that shall be announced by 10th day of each month is as shown in Annex 7-2.
- (VIII) The announcement format for the mergers, demergers, acquisitions or transfer of shares is as shown in Annex 8.

Article 15 The Company's subsidiaries shall comply with the following regulations:

- I. The subsidiaries shall also comply with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" to establish the "Procedure for Acquisition or Disposal of Assets." Such procedure shall be submitted to its audit committee and/or the board of director and/or the shareholders' meeting for resolution before implementation according to the relevant regulations. The amendment shall apply the same.
- II. When a subsidiary acquires or disposes of the assets, it shall also be subject to the regulations of the Company.
- III. Where a subsidiary is not the public company, if its acquisition or disposal of the assets reaches the announcement standards stipulated

in Article 14 of the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies," the parent company shall act for its subsidiary conducting the announcement.

- IV. For the announcement standards for the subsidiaries, the "reaches 20% of the company's paid-in capital or 10% of total assets" shall refer to the paid-in capital or total assets of the parent company (the Company).

Article 15-1

For the regulation of 10% of total assets stated in this procedure, it shall refer to the total assets stated in the latest parent company or individual financial statement that shall be prepared pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

When a company's share has no par value or a par value other than NT\$10, 20% of the paid-in capital for transaction amounts stipulated in this procedure shall be replaced by 10% of equity attributable to owners of the parent company and NT\$10 billions of paid-in capital for the transaction amount stipulated in this procedure shall be replaced by NT\$20 billions of equity attributable to owners of the parent company.

Article 16 Penalty

When the Company's managers and the persons in-charge conduct the lending funds to others in violation of the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" published by the securities authority or the Company's "Procedure for Acquisition or Disposal of Assets," they shall be punished according to the working rules of the Company.

Article 17 Supplementary to Relevant Laws

The matters that are not covered in this procedure shall be subject to the relevant laws.

Article 18 Announcement and Implementation

The establishment or amendment for the "Procedure for Acquisition or Disposal of Assets" of the Company shall be approved by one-half of all members of the Audit Committee and reported to the Board of Director for resolution; afterward it shall be reported to the shareholders' meeting for approval. When it is not approved by one-half or more of all members of the Audit Committee, it may be approved by two-thirds or more of all Directors before implementation, and shall state the resolution of the Audit Committee in the Board Meeting's minutes. The same shall apply to the amendment .