

Nishoku Technology Inc.
Procedures for Acquisition or Disposal of Assets

2017/06/14

1. Purpose

This procedure is made for operation of acquisition or disposal of corporate assets to be in accordance with.

2. Scope

The applicable scope of "assets" called in this operating procedure:

- (1) Investments such as stock, bonds, corporate bonds, securities bonds, fund recognition securities, Taiwan Depository Receipt (TDR), subscribe (put) warrant, beneficiary securities, and Assets Backed Securities (ABS), etc.
- (2) Real estate (including land, house and building, investment real estate, land use right, and inventory) and equipment.
- (3) Membership card
- (4) Intangible assets such as patent, copyrights, trademark, and franchise.
- (5) Creditor's rights of financing institution (including A/R, negotiations and discounts, loans, and overdue receivables).
- (6) Derivatives.
- (7) Any asset acquired or disposed by law through merger, demerger, acquisition, or transfer of shares.
- (8) Other important assets.

3. Definition

- (1) Derivative : Denotes its value derives from long-term contract, option contract, futures contract, leverage contract, swap contract, and composite contract of preceding products out of assets, rate of interest, currency rate, or other interest. The so-called long-term contract doesn't include insurance contract, implementation contract, after-sales service contract, long-term rental contract, and long-term purchase (sales) contract.

- (2) Any asset acquired or disposed by law through merger, demerger, acquisition, or transfer of shares :

Denotes any asset acquired or disposed in accordance with Business Mergers And Acquisitions Act, Financial Holding Company Act, The Financial Institutions Merger Act, or other laws. Or in accordance with Paragraph 6 on Article 156 of Company Act, the company

issues new shares for shares assignment of other company (hereinafter refers to as stock transferee).

- (3) Relevant party and subsidiary : Shall be identified in accordance with stipulations of Stipulations Governing the Preparation of Financial Reports by Securities Issuers.
- (4) Professional valuer : Denotes professional valuer of real estate, or other professional in valuation of real estate and equipment by law.
- (5) Date of occurrence : Denotes signing date of contract, payment date, order trading date, transfer date, resolution date of the Board, or other date to determine priority of trading objects and transaction amount. However, any investment with consent from the authorities whose above dates shall be the former ones compared to the approval dates by the authorities.
- (6) Investment in mainland : Denotes any investment in accordance with the stipulations of Regulations Governing The Approval Of Investment Or Technical Cooperation In Mainland China issued by MOEAIC.

4. Responsibilities

- (1) Finance Department : Handling operations of acquisition, custody, or disposal of negotiable securities and derivative.
- (2) Administration Department : Handling operations of acquisition and disposal of intangible assets of patent, copyrights, trademark, and franchise, etc.
- (3) Procurement Section : Handling acquisition of membership cards, real estate, and other fixed assets.
- (4) HR & General Affairs Section : Handling operations of management, conservation, renovation, and disposal of membership cards, real estate and other fixed assets.
- (5) Accounting Department : Handling accounting and inventory processes of acquisition or disposal of assets.
- (6) Auditing Department : Handling auditing of acquisition or disposal processes of assets.

5. Operation Content

(1) Operating Procedure of Acquisition or Disposal of Negotiable Securities

(i) Assessment Procedure

A. Any acquisition or disposal of negotiable securities shall proceed with feasibility evaluation by execution unit before execution.

B. Method of price decision and reference foundation :

(A) Any acquisition or disposal of negotiable securities shall obtain the latest financial statements audited and certified, or reviewed by accountant as reference of trading

price assessment. For any of the following conditions and transaction amount achieves 20% of corporate paid-in capital or NT\$300,000,000 and above, before date of occurrence the accountant shall be consulted for comment on reasonability of trading price. In case the accountant needs report from expert, kindly proceed in accordance with Rule #20 of Statement of Auditing Standards by Certified Public Accountants issued by Accounting Research and Development Foundation (hereinafter refers to as ARDF). However, any negotiable securities with open quotation to activate the market, or other stipulations of FSC are not subject to this limitation.

- a. Acquisition or disposal of negotiable securities which are not traded at stock exchange or securities agencies.
- b. Acquisition or disposal private placement of securities.
- c. The calculation of preceding transaction amount shall proceed in accordance with the calculation rules of (7)Calculation Of Transaction Amount stated on Chapter 5. The year basis shall be traced back for 1 year based on the occurrence date of this transaction. Professional valuation report or comment from accountant obtained can free this procedure from this stipulation.

(B)Any acquisition or disposal of negotiable securities traded at TWSE or securities agencies shall be decided in accordance with price of stock or bonds at that time.

(C)Any acquisition or disposal of negotiable securities from non-TWSE or non-securities agencies shall be taken into consideration of its net value per share, profitability, potential development in the future, market interest rate, bonds face interest, and credit standing of debtor, etc. Comment from CPA and present trading price shall be reference for negotiation of trading price.

(ii)Quota of investment

- A.The transaction amount of corporate investments in individual negotiable securities shall not exceed the latest net profit on financial statements certified or reviewed by accountant.
- B. The transaction amount of corporate investments in individual negotiable securities shall not exceed the latest net value on financial statements certified or reviewed by accountant.

(iii)Operation procedure

- A.Authorization quota and level : The acquisition or disposal of negotiable securities by the company shall be assessed by execution unit before submission to President for approval. The Board shall be reported afterwards.
- B.Execution unit : The investment in negotiable securities of the company shall follow the preceding authorization quota and gain approval by executives before conducting related

transaction by each responsible department in accordance with corporate internal control system.

(2) Operating procedure of acquisition or disposal of real estate and other fixed asset.

(i) Assessment procedure

- A. Any acquisition of real estate and other fixed asset shall proceed with a capital expenditure plan to be made in advance by usage department for feasibility evaluation before finance department making budget of capital expenditure to be executed and controlled in accordance with content of plan.
- B. Any disposal of real estate and other fixed asset shall proceed with a feasibility evaluation by usage department before approval of execution.
- C. The method of price decision and reference bases : Any acquisition or disposal of real estate and other fixed asset shall proceed with declared present value, assessed present value, and actual trading price of adjacent real estate. The preceding prices shall be inquired, compared, and negotiated before decision of price.

(ii) Investment quota

The transaction amount of all purchases of real estate for non-operating purposes by the company shall not exceed 30% of latest net value on financial statements certified or reviewed by accountant.

(iii) Suggestion from expertise

Except for transaction with government agency, contracted construction on own land, contracted construction on leased land, or acquisition and disposal of machinery and equipment for operating purposes, any acquisition or disposal of real estate or other fixed assets whose transaction amount achieves 20% of company's paid-in capital, or NT\$300,000,000 and above shall obtain valuation report from professional valuer before occurrence (requirements of valuation report are stated on Annex 1), and shall conform to following stipulations :

- A. In case any price ceiling, specific price, or special price must be referred for special reasons, the transaction shall be proposed to the Board for resolution. In the future, any change of trading condition shall proceed with the preceding procedure.
- B. Any transaction amount up to NT\$1,000,000,000 and above shall proceed with at least 2 valuation reports from professional valuers.
- C. Except for higher valuation result of acquired asset than transaction amount, or lower valuation result of disposed asset than transaction amount, for any of the following

conditions of valuation results from professional valuer the accountant shall be requested to proceed with Rule #20 of Statement Of Auditing Standards issued by ARDF, and shall express consolidated opinions with respect to the reasons for difference and the propriety of trading price :

(A)The transaction amount has 20% difference or more from valuation result.

(B)The valuation results of two professional valuers have 10% difference or more from transaction amount.

D.The calculation of preceding transaction amount shall proceed in accordance with the calculation rules of (7)Calculation Of Transaction Amount stated on Chapter 5. The year basis shall be traced back for 1 year based on the occurrence date of this transaction. Professional valuation report or comment from accountant obtained can free this procedure from this stipulation.

E.The date of professional valuation report shall not be 3 months earlier than the contract date. In case it is applicable for the same issued declared present value and has not exceed 6 months, the original professional valuer shall be requested for suggestion.

F.Any acquisition or disposal of asset by the company through auction process by the court shall use proof document from court to replace evaluation report or CPA's comment.

(vi)Operating procedure

A.Authorization quota and level :

The corporate acquisition or disposal of real estate and other fixed asset shall proceed with stipulations of "Group Delegation Of Authorization Table" within authorization scope for execution unit to assess and conduct transaction. The Board shall be reported afterwards. Any transaction exceeding authorization scope shall be assessed by execution unit before approval by the Board for execution.

B.Execution unit : Any acquisition or disposal of real estate and other fixed asset shall proceed with preceding authorization quota for approval by executives before conducting related transaction by each responsible department in accordance with corporate internal control system.

(3)Operating procedure of transaction with relevant party

(i)Any acquisition or disposal of asset by the company from relevant party shall proceed in accordance with Article 2 on Chapter 5, and this stipulation to conduct related resolution procedure and assessment on reasonability of transaction conditions. Besides, any transaction amount exceeding 10% of corporate total assets shall proceed in accordance

with Article 2 on Chapter 5 to obtain valuation report issued by professional valuer, or comment from accountant. Not only legal form but also substantial relationship shall all be taken into consideration on judging whether trading object is relevant party or not.

(ii) Except for transaction of government bonds, buy-back or sell-back conditioned bonds, subscription or buy-back of MMF issued by domestic securities investment trust enterprises, any corporate acquisition or disposal of real estate from relevant party, or other assets with transaction amount up to 20% of company's paid-in capital, or 10% of total assets, NT\$300,000,000 shall be reported to the Board and supervisors with related documents for approval before signing transaction contract and making of payment :

A.The purpose, necessity, and estimated benefits of acquisition or disposal of assets.

B.The reasons for choosing relevant party as trading object.

C.Any acquisition of real estate from relevant party shall obtain related data of real estate in accordance with the stipulations of Article 3.(3) and 3.(4) of Chapter 5 to assess reasonability of pre-set trading conditions.

D.Matters about the original date & price obtained by relevant party, trading object, and the relationship between relevant party and the company.

E.The monthly estimation of cash revenue and expenditure for 12 months from the contract month. And necessity of transaction and reasonability of fund applications shall be assessed as well.

F.The valuation report from professional valuers or comment from accountant shall be obtained in accordance with Article 2 of Chapter 5.

G.The limiting conditions of this transaction and other important covenants.

The calculation of preceding transaction amount shall proceed in accordance with the calculation rules of (7)Calculation Of Transaction Amount stated on Chapter 5. The year basis shall be traced back for 1 year based on the occurrence date of this transaction.

Professional valuation report or comment from accountant obtained can free this procedure from this stipulation.

Regarding the acquisition or disposal of machinery and equipment for operating purposes between the company and subsidiary, the President is authorized by the Board to execute within a certain quota without resolution to be ratified by the latest Board afterwards.

In case the company set up independent directors, each independent's opinion shall be fully considered when matters regarding Rule A have been proposed to the Board for discussion.

Any counter advice or qualified opinion from independent directors shall be recorded on meeting journal of the Board.

(iii) Any acquisition of real estate by the company from relevant party shall proceed in accordance with following methods to assess the reasonability of transaction costs :

A. The trading price of relevant party shall plus necessary capital interest and costs incurred for the purchaser by law. The so called necessary capital interest costs shall be calculated by the weighted average interest rate of loans in the purchased year of asset by the company. However, it shall not be higher than highest loan interest rate for non-financial industry declared by MOF.

B. In case the relevant party has a loan from financial institution with mortgage by the object and the actual loan value achieve 70% of total loan evaluation with loan period for over 1 year, and financial institution is mutual relevant party with any of trading parties shall not be applicable to this stipulation.

For joint purchase with relevant party of the same objective land and building, one of the preceding methods shall be used for respective valuations on transaction costs of land and building.

For any acquisition of real estate by the company from relevant party, the accountant shall be requested to review for consolidated comment on assessment of real estate costs in accordance with the stipulations of Paragraph A and B of this article.

Any of the following circumstances during acquisition of real estate by the company from relevant party shall proceed with Article 3.(2). The preceding stipulations of this article are not applicable :

A. The relevant party acquired real estate because of heritage or bestowal.

B. The contract date when relevant party acquired the real estate from the contract date of this transaction has exceeded 5 years.

C. Any acquisition of real estate by contracting relevant party to build real estate for joint construction, contracted construction on own land, and contracted construction on leased land.

(vi) In case the valuation results by the company in accordance with Article 3.(3) are lower than actual trading prices, the Article 3.(5) shall be followed to proceed. However, following circumstances with objective evidence and consolidated comments on reasonability from professional real estate valuers and accountant are not subject to this limitation :

A. In case the relevant party acquired solid ground or leased a ground for construction, one of the following requirements shall be conformed to with proposed evidence :

(A) The solid ground has been valued in accordance with the methods of preceding stipulations. The building shall add reasonable construction profit in accordance with

construction costs of relevant party. And the total sum exceeds actual trading price. The so called reasonable construction profit shall be the lower of average operating gross profit rate for the recent 3 years of the relevant party's construction department, or the latest gross profit rate in construction industry announced by MOF.

(B) The trading cases with non-relevant party of other floors of the same objective building and land, or adjacent regions whose trading conditions are estimated equivalent after valuations are done compared to reasonable floors and price differences by region in accordance with real estate trading conventions.

(C) The rental cases with non-relevant party of other floors of the same objective building and land whose trading conditions are estimated equivalent after valuations are done compared to reasonable price differences by floor in accordance with real estate rental conventions.

B. The company has proof of purchasing real estate from relevant party of similar area whose trading conditions are equivalent to other trading cases with other non-relevant party in adjacent region.

In principle, the so called trading cases of adjacent regions in preceding article shall be the same or adjacent block which is distant from trading object for less than 500 meters with identical declared present value. The so called of similar area shall be, in principle, the trading cases whose areas are not less than 50% of trading object. The so called a year basis shall be traced back for 1 year from the occurrence date of this transaction for the real estate.

(v) Any acquisition of real estate by the company from relevant party whose valuation results in accordance with Article 3.(3) and 3.(4) are lower than actual trading prices shall proceed with the following items:

A. A special reserve shall be appropriated by trading price of real estate and valuation cost difference in accordance with Paragraph 1 on Article 41 of Securities and Exchange Act. No distributions or transfer shares of capital increase are allowed. For any investment valued by equity method, a special reserve shall also be appropriated by the certain share ratio appropriated in accordance with Paragraph 1 on Article 41 of Securities and Exchange Act.

B. The supervisor shall proceed in accordance with Article 218 of Company Act.

C. The handling situations of preceding Item 1 & 2 shall be proposed to the Board with detail transaction content disclosed on annual report and prospectus.

The special reserve can be used only when the purchased asset at high price has been

recognized as depreciation loss, or being disposed, or being compensated appropriately, or being restored, or with other evidence showing no unreasonable matters and the company has appropriated special reserve in accordance with preceding stipulations with consent from FSC, Executive Yuan.

Any acquisition of real estate by the company from relevant party with other evidence showing the transaction is abnormal for operating conventions shall proceed with the preceding two stipulations.

(4) Operating procedure of acquisition or disposal of membership cards or intangible assets

(i) Assessment procedure

A. Any acquisition or disposal of membership cards and intangible assets shall be assessed by usage department for feasibility evaluation to be approved before execution.

B. The method of price decision and reference bases: For any acquisition or disposal of membership cards or intangible assets, the asset management department shall refer to fair market prices with evaluation report from expert before price decision after price inquiries, comparisons, and negotiations.

(ii) Investment quota

The total transaction amount of the company for purchase of membership cards or intangible assets shall not exceed 30% of net value of latest financial statements certified or reviewed by accountant.

(iii) Suggestion from expertise

Except for transaction with government agency, any corporate acquisition or disposal of membership cards or intangible assets with transaction amount up to 20% of company's paid-in capital, or NT\$300,000,000 and above, accountant shall be consulted for comment on reasonability of transaction price before occurrence. And the accountant shall proceed in accordance with Rule #20 of Statement Of Auditing Standards issued by Accounting Research and Development Foundation.

The calculation of preceding transaction amount shall proceed in accordance with the calculation rules of (7) Calculation Of Transaction Amount stated on Chapter 5. The year basis shall be traced back for 1 year based on the occurrence date of this transaction. Professional valuation report or comment from accountant obtained can free this procedure from this stipulation.

(vi) Operating procedure

A. Authorization quota and level:

The corporate acquisition or disposal of membership cards and intangible assets shall proceed with stipulations of "Group Delegation Of Authorization Table" within authorization scope for execution unit to assess and conduct transaction. The Board shall be reported afterwards. Any transaction exceeding authorization scope shall be assessed by execution unit before approval by the Board for execution.

B. Execution unit: The corporate acquisition of membership cards and intangible assets shall follow the preceding authorization quota and shall gain approval by executives before conducting related transaction by each responsible department in accordance with corporate internal control system.

(5) Operating procedure of transaction of derivatives

(i) Trading principle and guideline

The trading property of the company for derivatives can be divided by purpose into two kinds of "Hedge Strategy" and "Financial" to be applicable to different risk restrictions, mandatory stop-loss point, and accounting process principle. The former denotes lower risks of existing assets, liabilities, irrevocable commitment, or forecast transaction by trading derivatives. The later denotes earnings and risk bearings out of price differences of commodity trading by holding or issuing derivatives.

A. Transaction types :

The derivatives which the company may operate include Forwards, Options, Futures, Swaps, Warrants, and composite contract of preceding products.

B. Operating or hedge strategy :

The foreign currency position of the company shall be operated based on net position. Trading of derivatives shall act for risk mitigation. The trading products shall choose those who can mitigate risks of corporate business.

C. Essentials of performance assessment :

(A) Hedge transaction shall be regularly assessed twice every month. Financial transaction shall be regularly assessed once every week. The assessment reports shall be presented to authorized executives of the Board.

(B) The assessment base of hedge transaction performance shall be assessed by profits and losses through comparing the interest costs of face amount with trading of derivatives every week. The summary report of this position shall be made for reference of the management.

D. Stipulation of contract total amount and upper limit of losses :

(A) Contract total amount :

Hedge currency rate trading quota: The trading department shall control overall position of the company in order to mitigate risk of currency trading. The trading amount of derivatives of hedge currency rate shall not exceed the upper limit of total import/export trading amount of the company plus the expected due balance of foreign currencies in the next 6 months. In case the transaction exceeds the upper limit, the latest Board shall be reported for approval.

Hedge interest rate trading quota: The trading amount shall not exceed the upper limit of total loans at every currency by the company plus total amount of expected corporate bonds to be issued by the company in the next 6 months. As needed the trading department shall make hedge trading plan of interest rates for approval by authorized executives and the President before execution. In case the transaction exceeds the upper limit, the latest Board shall be reported for approval.

Financial transaction trading quota: Based on the prediction of market change circumstances, as needed the trading department shall make trading plan for currency rates and interest rates. Each transaction must be approved by authorized executives and the President for approval before execution. The total trading amount shall not exceed the upper limit of 10% of corporate net value. In case the transaction exceeds the upper limit, the latest Board shall be reported for approval.

(B) Stipulation of upper limit of overall and individual contract losses:

Hedge trading

Individual: The upper limit is 20% of contract amount. Special circumstance shall be reported to the President for approval.

Overall: The upper limit is 20% of total contract amount.

Financial trading

The upper limit of losses for overall and individual contract losses shall not exceed 5% of trading amount. In case the losses exceed 5% of trading amount, the President must be reported immediately and shall report to the latest Board in order to negotiate necessary counter measures.

(ii) Assessment procedure

The trading department shall regularly calculate the position and gather market information for judgment of trends and risk assessment before forming operating strategies for authorized executives to approve as a base for transaction.

(iii) Operating procedure

A. Authorization quota, level, and execution unit :

(A) Trading quota of Hedge currency rate derivatives :

The authorized trading personnel and quota of derivatives :

Decision maker	Quota of each transaction	Daily quota	Accumulative quota of net position without being write-off
President	US\$5,000,000	US\$15,000,000	US\$50,000,000
General Manager	US\$3,000,000	US\$10,000,000	US\$30,000,000

Any transaction exceeds the above authorization shall be approved by latest Board.

Any transaction of the above authorization shall be approved before and after deal is closed.

(B) The trading quota of Hedge interest rate derivatives: Each transaction shall be approved by authorized executives and the President before execution. The total trading amount shall not exceed Paragraph D on Article 5.(1). Any transaction exceeding the above authorization shall be approved by latest Board.

(C) Trading quota of financial transaction: Each transaction shall be approved by authorized executives and the President before execution. The trading quota shall not exceed Paragraph D on Article 5.(1). Any transaction exceeding the above authorization shall be approved by latest Board.

(D) Any transaction of derivatives by the company shall be conducted by related authorized personnel of this procedure and shall be reported to latest Board.

B. Transaction processes

(A) Confirm trading position

(B) Analysis on related trends and judgment

(C) Decision making on consolidated method of Hedge

(D)Obtaining transaction approval

(E)Execution of transaction

Trading object: Mostly shall be primary financial institutions which have business with the company.

Trading personnel: The authorized trading personnel of derivatives of the company shall gain approval from General Manager before informing the trading financial institutions. Other personnel then the preceding is not allowed to operate the transaction.

(F)Confirmation of transaction: As soon as transaction is completed by trading personnel, the trading receipt shall be filled for independent confirmation personnel to check whether trading conditions match trading receipts before approval by authorized executives.

(G)Handling of accounting affairs: Accounting department shall make accounting entries and register the transaction on account books in accordance with delivery bookkeeping notes and related trading certificates.

(H)Delivery: After the transaction has been confirmed without error, the trading department shall prepare payment and related receipts on delivery date to be delivered at negotiated prices.

(vi)System of internal control

A.Scope of risk management

(A)Credit risk: The trading objects shall mostly be primary financial institutions which have business with the company, and, in principle, shall be able to provide professional information. The trading positions must be dispersed into diverse banks in order to mitigate risks.

(B)Market risk: The company shall keep close contact with foreign currency department of each bank in order to control the trends of market. Regular performance assessments shall be conducted and stop-loss positions shall be monitored.

(C)Liquidity risk: In order to ensure liquidity of transaction, the selection of derivatives shall mostly be those with higher liquidity. For trading banks, those with large trading amounts and stronger quotation ability shall be chosen.

(D)Cash flow risk: The management of corporate cash flow shall consider agreements of derivatives trading contracts. Advanced planning and funds procurement are needed so as to mitigate cash flow risks due to performance of contracts.

(E)Operational risk: The authorization quota and operating procedure must be strictly followed so as to mitigate operational risks.

(F)Legal risk: Before signing any document with bank, it shall be reviewed in advance by trading department, specialty legal personnel, or legal advisor in order to mitigate legal risks.

(G)Product risk: Internal trading personnel and competing banks shall have complete and correct professional knowledge about the derivatives being traded. Full disclosure of potential risks is required from bank in order to prevent losses out of misuse of derivatives.

B.Supervision and control over measurement of risks

(A)Trading, confirmation, delivery, and account personnel cannot mutual concurrently. The measurement, supervision, and control of risks must be handled and reported to the Board by different personnel.

(B)Regular assessment: The holding position of financial transaction shall be assessed once every week. However, Hedge transaction for business purpose shall at least be assessed for twice every week. The assessment report shall be submitted to the authorized executives by the Board.

(v)Responsibility of management

A.Supervision and management of the Board

(A)High-level executives shall be appointed to monitor and control transaction risks of derivatives.

(B)Performance of derivatives transaction shall be regularly assessed to see whether it matches corporate settled business strategy or not, and if the risks born are within tolerable scope by the company.

B.The management principle of authorization for high-level executives by the Board

(A)The present measures for risk management shall be regularly assessed to see whether they are appropriate or not, and if they proceed assuredly in accordance with " Regulations Governing the Acquisition and Disposal of Assets by Public Companies " issued by ARDF, Executive Yuan and this operating procedure.

(B)When supervising transaction, loss and profit conditions, necessary measures must be

taken for any abnormal situations found (in case the holding position exceeds upper limit, or upper limit of losses) and the Board must be reported immediately.

(C) Any authorization of derivatives transaction by public company for related authorized personnel to proceed shall be reported to latest Board afterwards.

(D) In case any directly or indirectly 100% owned subsidiary involves in transaction of derivatives, the performance report must be submitted to latest Board of subsidiary or parent company.

(E) The personnel in charge of approval and supervision of transaction shall be regularly assessed to see whether they are eligible to the job or not, and if appropriate trainings have been given to them.

(F) In case the company sets up independent directors, the Board must be attended by independent directors to express opinion.

(6) Internal auditing system

A. A memorandum book shall be established and reviewed for derivatives transaction by the company in order to record in detail the types, amounts, approval dates by the Board, and other matters to be carefully assessed in accordance with Article (4).B.(B) & (5).A.(B) & (5).B.(A) of derivatives transaction.

B. The internal auditing personnel shall regularly understand the internal control propriety of derivatives transaction. Every month the auditing department of derivatives transaction shall prepare audit report in accordance with compliance conditions with this operating procedure. Every supervisor shall be informed in written of any significant violation found.

C. Any derivatives transaction by subsidiary of the company shall proceed with establishment of " Regulations Governing the Acquisition and Disposal of Assets " in accordance with rules of securities authorities to be approved by latest Board before submission to every supervisor and shareholders meeting for approval, Its revision is on the same condition.

(6) Operating procedure of corporate merger, demerger, acquisition, and transfer of shares

(i) Before the resolution by the Board for company to conduct merger, demerger, acquisition, or transfer of shares, the accountant, attorney, or securities agency shall be consulted for opinion on reasonability of conversion ratio, acquisition price, cash dividends for shareholders, or other assets for discussion and retification by the Board.

However, the company is free from the above expertise from expert on reasonability in case the company directly or indirectly mergers its subsidiaries whose issued shares or total assets

are 100% owned by the company, and the same as the merger of its directly or indirectly 100% owned subsidiaries.

(ii) Except for other stipulation by law or with advanced consent from FSC, Executive Yuan for special factors, the company's merger, demerger, or acquisition shall be resolved by convening the Board and shareholding meeting on the same date with matters about merger, demerger, or acquisition of other companies.

When the company involves in any transfer of shares, except for other legal stipulations or special factors with advanced consent from FSC, Executive Yuan, the Board shall be convened on the same date with other companies involving with the shares transfer.

The public offerings of merger, demerger, acquisition, or transfer of shares, or any company whose stock shares have been traded at securities agencies shall make complete written records of following data for safekeeping for 5 years to be checked afterwards:

A. General profile of personnel: Including job titles, names, and person ID numbers (passport numbers for foreigners) of all personnel involving in the scheme, or execution of scheme of merger, demerger, acquisition, or transfer of shares before announcement of the news.

B. Dates of important matters: Including the dates when letter of intent or memorandum were signed, commission of financial or legal advisors, signing contract, and the Board.

C. Important letters and meeting journal: Including letters and documents about schemes of merger, demerger, acquisition, transfer of shares, letter of intent or memorandum, important contract, and meeting journal of the Board, etc.

The public offerings of merger, demerger, acquisition, or transfer of shares, or any company whose stock shares have been traded at securities agencies shall prepare data of preceding item A and B within two days after resolutions are approved by the Board to be declared to the Association via Internet IT system for further review.

(iii) When the company involves in any merger, demerger, or acquisition, before shareholders meeting the important agreed contents and related matters shall be made into public documents along with Article 6.(1) Suggestion from expertise, and notification of shareholders meeting to be submitted to every shareholder as reference to decide whether proceed the certain merger, demerger, or acquisition or not. However, by law any merger, demerger, or acquisition matters which are free from resolution by shareholders meeting are

not subject to this limitation.

When the company involves in merger, demerger, or acquisition, in case any party's shareholders meeting is postponed, unable to resolve, or denied by shareholders meeting due to lack of attendance, insufficient voting power, or other legal restrictions, the company must immediately make statement on reasons for occurrence, follow-up processing operation, and estimated date of next shareholders meeting.

- (iv) All personnel involving in or knowing the corporate merger, demerger, acquisition, or transfer of shares shall sign written confidentiality commitment. Before announcement of news, the content of scheme must neither be revealed nor can any purchase of stock, or other negotiable securities with the same stock property be made in other's name of all related companies with respect to the case of merger, demerger, acquisition, or transfer of shares.
- (v) Except for following conditions, the company's involvement in merger, demerger, acquisition, or transfer of shares shall not be changed at will. And the contract of merger, demerger, acquisition, or transfer of shares must be stated with conditions of change:
 - A. Conducting cash increment, issuing convertible bonds, stock grants, issuing corporate bonds of stock options, preferred shares with warrants, stock option certificates, and other negotiable securities with the same stock property.
 - B. Any act such as disposal of important assets of the company which may influence financial business of the company.
 - C. Occurrence of major disaster, or significant revolution of technology, etc which may influence shareholders' interest or stock price.
 - D. By law, the adjustment through buy-back of treasury stock by any party of the companies involving with merger, demerger, acquisition, or transfer of shares.
 - E. The subjects or number of companies involving with the merger, demerger, acquisition, or transfer of shares have increased or decreased.
 - F. Any other conditions settled in the contract which can be changed and have already been announced in public.
- (vi) When the company involves in merger, demerger, acquisition, or transfer of shares, the contract shall be expressly stated with the rights and obligations of those companies involving with the merger, demerger, acquisition, or transfer of shares as well as the following matters:
 - A. Handling of default.
 - B. The handling principle of merged, or demerged company who had previously issued negotiable securities with property of stock rights, or had purchased treasury stock.

- C. By law, the treasury stock number to be buy-back and its handling principle of participating companies who shall proceed after calculation of conversion ratio base date.
 - D. The handling methods when participating subjects or number of companies have increased or decreased.
 - E. The progress of plan execution and estimated date of accomplishment.
 - F. Related processing procedure of convening date of shareholders meeting by law in case the plan fails to accomplish on schedule.
- (vii) When the company involves in merger, demerger, acquisition, or transfer of shares, in case the company plans to conduct merger, demerger, acquisition, or transfer of shares with other companies after the news go public, except for decrease of participating companies and shareholders meeting has resolved and authorized the Board with authorization of change, the participating companies are free from resolutions by convening shareholders meetings. The completed procedure or legal acts regarding original merger, demerger, acquisition, or transfer of shares shall be repeated by all participating companies.
- (viii) When any company involving in merger, demerger, acquisition, or transfer of shares doesn't belong to public company, the company shall sign agreement with that company to proceed in accordance with stipulations of Article 6.(2) & 6.(4) & 6.(7).

7. Disclosure of information

- (i) When the company acquires or disposes any asset, any of following conditions shall be declared in regulated format with related information within 2 days after occurrence to proceed on designated website of FSC, Executive Yuan:
- A. The company acquires/disposes real estate from relevant party, or acquires/disposes other assets other than real estate with a transaction amount up to 20% of company's paid-in capital, or 10% total assets, or NT\$300,000,000 and above for the purpose of acquisition/disposal of real estate. However, transaction of government bonds, buy-back or sell-back conditioned bonds, subscription or buy-back of domestic MMF issued by domestic securities investment trust enterprises are not subject to this limitation.
 - B. Proceeding with merger, demerger, acquisition, or transfer of shares.
 - C. The loss by transaction of financial derivatives achieves the amount upper loss limit of all or respective contract of this processing procedure.
 - D. The category of acquired or disposed asset belongs to equipment of operating expenditure whose trading object is not the relevant party with a transaction amount up

to NT\$500,000,000 or above.

E. The company acquires real estate by means of contracted construction on own land, contracted construction on leased land, joint construction for share of houses, joint construction and share by percentage, joint construction and share by sale with an estimated transaction amount less than NT\$500,000,000.

F. Transaction other than the above 5 items, or investment in mainland with a transaction amount up to 20% or company's paid-in capital, or NT\$300,000,000 and above.

However, the following conditions are not subject to this limitation :

(A) Transaction of government bonds.

(B) Investment expertise with transaction of securities in domestic or foreign stock exchange, or in securities dealer, or subscription and collection of straight corporate bonds in domestic basic-level market as well as general financial bond with nothing to do with corporate shareholding, or any securities subscribed in accordance with TPEX stipulation for needs of underwriting business by securities dealer which is a recommended counseling securities dealer for OTC companies.

(C) Transaction with buy-back or sell-back conditioned bonds, subscription or buy-back MMF issued by domestic enterprise of securities, investment, or trust.

(D) Any acquisition or disposal of assets which belongs to machinery equipment for operating purpose and its trading object is not relevant party with transaction amount less than NT\$500,000,000.

(E) Acquisition of real estate by contracted construction on own land, contracted construction on leased land, joint construction for share of houses, and joint construction for share of percentages with an estimated transaction amount for less than NT\$500,000,000 by the company.

The preceding transaction amount shall be calculated by following methods:

Each transaction amount

The accumulative trading amount within 1 year with the same counter party for the same property object.

The accumulative amount within 1 year of acquisition or disposal (acquisition and disposal shall be accumulated respectively) of the same negotiable securities.

The accumulative amount within 1 year of acquisition or disposal (acquisition and disposal shall be accumulated respectively) of the same development of real estate.

The preceding "within 1 year" denotes the occurrence of this transaction date to be regarded as a base and trace back for 1 year. However, any part regarding " Regulations

Governing the Acquisition and Disposal of Assets by Public Companies " issued by FSC, Executive Yuan is free from this calculation.

- (ii) On monthly basis, before 10th of every month, in regulated format the company shall declare by entering on designated information declaration website of FCS, Executive Yuan with trading conditions of derivatives transaction by the company and non-public subsidiary occurred by end of last month.
- (iii) By stipulation, the company shall disclose all these items. Any mistake or missing in disclosure of items shall be corrected by supplement within 2 days after occurrence is known. And all corrected items shall be re-applied for disclosure.
- (iv) When the company acquires or disposes any asset, the related contracts, meeting journals, memorandums, valuation reports, opinion books from accountants, attorneys, or securities agencies shall be available in the company. Except for other stipulation by law, the data shall be preserved for at least 5 years.
- (v) When the company declares transaction in accordance with the stipulations of Article 7.(1) & 7.(2) & 7.(3), any of the following conditions shall proceed with declaration with related information within 2 days from occurrence on designated website of FSC, Executive Yuan:
 - A. The original contract of transaction has been changed, terminated, or revoked.
 - B. The merge, demerge, acquisition, or transfer of shares fails to accomplish on schedule.
 - C. The original declared content has changed.

(8) Control procedure of acquisition or disposal of assets by subsidiary

- (i) The investment scope of any subsidiary of the company shall proceed in accordance with the stipulations of Paragraph 1.(2) on Article 5 of this control procedure. The quota of individual purchase of real estate and investment in negotiable securities for non-operating purpose is stated as follows:
 - A. The total trading amounts of any purchasing non-operating real estate shall not exceed 30% of net value on latest financial statements of subsidiary certified or reviewed by accountant.
 - B. The trading amounts of investments in negotiable securities or individual negotiable securities shall not exceed 30% of net value on latest financial statements of subsidiary certified or reviewed by accountant.
- (ii) In case the subsidiary of the company is not public in domestic stock market, any acquisition or disposal of assets shall be declared by the company in accordance with the stipulations of Article 7.

The preceding stipulation regarding any subsidiary which is subject to Article 7.(1) to be declared with 20% of paid-in capital, or 10% of total assets shall be calculated on basis of the company's paid-in capital or total assets.

The stipulations of this processing procedure regarding 10% of total assets shall be calculated by total assets amount stated on latest individual or respective financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

For foreign company whose stock has no face amount, or face amount of each share is not NT\$10, the calculation of 20% paid-in capital shall be calculated by 10% of proprietary property of parent company in accordance with the stipulations of this processing procedure.

- (9) For the opinion books obtained by the company from accountants, attorneys, or securities agencies, the professional valuers shall not be relevant with the certain valuation personnel, accountants, attorneys, securities agencies, and trading parties. For any acquisition or disposal of assets by auction procedure at court, the proof document from court can replace valuation report or opinion from accountant.
- (10) Any violation by corporate manager or person in charge of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC, Executive Yuan and stipulations of this processing procedure shall be proposed for examination in accordance with corporate HR management methods to be punished by gravity of situations.
- (11) This processing procedure has been approved by the Board before submission to every supervisor and shareholders meeting for approval and execution. Its revision is on the same condition. In case any director has different opinion with record or written statement, the company shall deliver the objection data to each supervisor.
- (12) In case the company set up independent directors, each independent's opinion shall be fully considered when the stipulations of Article 11 Operating procedure of acquisition or disposal of assets have been proposed to the Board for discussion. Any counter advice or qualified opinion from independent directors shall be recorded on meeting journal of the Board.