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Document Name	Regulations to Acquire or Dispose of Assets	Version	B

Regulations to Acquire or Dispose of Assets



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1. Objectives:

These Regulations are duly enacted in an attempt to strengthen management over assets, safeguard the Company's investment, and assure full disclosure of information.

2. Scope:

These Regulations are applicable to all practices of the Company in acquiring or disposing of assets under Article 4.1.

3. Powers and responsibilities:

These Regulations are duly enacted and amended by the Financial and Accounting Department exactly in accordance with "Regulations Governing the Acquisition or Disposition of Assets by Public Companies".

4. Definitions:

4.1 The term "assets" as set forth herein shall be applicable to the following scope:

- (1) Stocks, bonds, corporate bonds, financial bonds, domestic beneficiary certificates, overseas common funds, deposit receipt certificates (DRC)s, warrant certificates for purchase(sales), beneficiary securities, assets based securities and such investment.
- (2) Real Estate and other fixed assets.
- (3) Membership certificates.
- (4) Patents, copyrights, trademarks, franchise and such intangible assets.
- (5) Creditor's right (obligatory right) of financial institutions (including receivables, foreign exchange purchase discount and loans, overdue loans)
- (6) Derivative financial products.
- (7) Assets that may be consolidated, dividend, purchased, or acquired or disposed through stock transfer.
- (8) Other major assets.

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

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- 4.3 The term “assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law” as set forth herein denotes assets acquired or disposed through mergers, demergers, or acquisitions conducted in accordance with laws and ordinances concerned or transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares")
- 4.4 The term “related party” as set forth herein denotes that which is defined in Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (hereinafter "ARDF").
- 4.5 The term “subsidiary” as set forth herein denotes that which is defined in Statement of Financial Accounting Standards Nos. 5 & 7 published by the ROC Accounting Research and Development Foundation (hereinafter "ARDF").
- 4.6 The term “professional appraiser” as set forth herein denotes a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or other fixed assets.
- 4.7 The term “date of occurrence” as set forth herein denotes " the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authority is required, the earlier of the above date or the date of receipt of approval by the Competent Authority shall apply.
- 4.8 The term “mainland area investment” as set forth herein denotes investments in China approved according to laws and ordinances concerned.

5. Contents of operation:

- 5.1 Exclusion of a related party: The professional appraisers and their appraisers, certified public accounts, attorneys, and securities underwriters and affiliates thereof that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party.
- 5.2 Notice:
- (1) Where a case the Company acquires or disposes of assets which should call for approval by the Board of Directors as required under these Regulations or law, in the event that a director objects or reserved, it shall be recorded on the minutes of the Board of Directors meeting.

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(2) Where the Company has established independent directors, where an issue regarding procedures to acquire or dispose of assets is reported to the Board of Directors for discussion under the preceding paragraph, the Company should take adequate consideration of the opinions of the independent directors.

In the event that the independent director objects or reserved, it shall be recorded on the minutes of the Board of Directors meeting.

(3) Where the Company has set up the Audit Committee in accordance with the Company's Articles of Incorporation, transaction of major assets shall be subject to consent by a minimum of one-second of all Audit Committee members and be submitted to the Board of Directors for final resolution, in the event that such a case does not pass approval by over one-second of the total Audit Committee members, the case may be granted directly if it is resolved by a two-thirds majority vote in the Board of Directors. Such fact should be expressly entered into the minutes of the board of directors meeting. The terms "entire Audit Committee members" and "entire directors" as set forth herein shall be duly calculated based on the numbers of Audit Committee members and directors actually serving on the post.

5.3 The maximum limits to acquire real estate or securities not for business use:

- (1) The aggregate of the real estate not for business use purchased by the Company shall not exceed 40% of the net worth. The aggregate of the real estate not for business use purchased by all subsidiaries of the Company shall not exceed 40% of the net worth and shall not exceed 40% of the net worth of the subsidiaries.
- (2) Unless agreed upon by the shareholders' meeting, the aggregate of the Company's investment in securities shall not exceed the net worth. The aggregate of the investment by all subsidiaries of the Company shall not exceed the net worth of the subsidiaries.
- (3) Unless agreed upon by the shareholders' meeting, the amount of the Company's investment in respective individual securities shall not exceed the net worth. The amount of all subsidiaries' the investment in respective individual securities shall not exceed the Company's net worth and shall not exceed the net worth of all subsidiaries.

5.4 Assessment and operating procedures to acquire or dispose of securities:

5.4.1 (1) Methods of pricing and grounds for reference:

The while acquiring or disposing of securities shall, prior to the date of occurrence of the event, first obtain financial statements of the target company for the most recent period, certified or reviewed by a certified public accountant, or therelevant referential data, financial information of the target securities for reference in appraising the transaction price. The transaction prices shall

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be determined in the following manner:

(1.1) In acquiring or disposing of securities which have been traded in the centralized securities exchange market or the securities dealers' business outlets, the transaction prices shall be determined based on the market rates prevalent that time.

(1.2) In acquiring or disposing of securities which are not traded in the centralized securities exchange market or the securities dealers' business outlets, the transaction prices shall be determined with consideration of net worth per share, profitability, potential of future development, face interest rate of the bonds, the debtors' creditability and prices of transaction prevalent that time..

(2) Consultation with experts for opinions:

In acquiring or disposing of securities where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, prior to the date of occurrence of the event, the Company shall consult with a Certified Public Accountant to express opinions on the rationality of the transaction prices, if the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. Unless the subject securities have open quotation in the brisk markets or unless otherwise prescribed by laws and ordinances concerned. In case of acquisition or disposal of assets through auction process by a court, the supporting certificate(s) issued by the court may be taken to replace the opinions of the certified public accountant.

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 5.11.1 herein,

5.4.2 Credit line limit authorized hierarchical level:

Power to resolve	Credit line limit authorized
Chairman	Below Sixty Million New Taiwan Dollars (inclusive) 新臺幣 6 仟萬元(含)以下
Board of Directors	Sixty Million New Taiwan Dollars up

5.4.3 Unit in charge of enforcement: The operations to acquire and dispose of investment in securities of

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the Company shall be handled by the Financial Department or the responsible units concerned.

- 5.4.4 Transaction procedures: The transaction procedures for the Company to acquire and dispose of securities shall be duly handled in accordance with the requirements in the “investment criteria” of the Company’s internal control system.
- 5.5 The procedures for assessment and operation to acquire and dispose of real estate and other fixed assets:
- 5.5.1 Methods of pricing and grounds for reference:
- 5.5.1.1 In a case of acquiring or disposing of real estate, the original user unit or the responsible units concerned shall report with explanation and with the supporting information of the official land price latest promulgated by the government, appraised value, price concluded in transaction nearby, latest transaction prices of similar assets. The acquiring or disposing of real estate may be conducted by a means among price competition, price negotiation or open tender.
- 5.5.1.2 Consultation with experts for opinions:
In a case of acquiring or disposing of real estate or other fixed assets, except a case of transaction with the government, a case under an arrangement for commissioned construction on self-owned land, a case under an arrangement for commissioned construction on leased land, a case of acquiring or disposing of machinery & equipment for business operation use, prior to the date of occurrence of the event, the Company shall obtain appraisal reports issued by professionals and shall live up to the following requirements if the amount of transaction is up to 20% of the paid-in capital or up to NT\$300 million:
- (1) In a case where the transaction should be based on a restricted price, specified price, or special price due to an extraordinary reason, that transaction should receive approval by the Board of Directors through resolution. The aforementioned procedures shall be equally applicable in case of a change in the transaction terms in the future.
 - (2) Where the transaction is over NT\$1 billion in amount, the Company should consult with two or more professional appraisers for price appraisal.
 - (3) Where the results of appraisal offered by a professional appraiser indicate any one of the situations below, the Company shall duly handle that case as required under Statement of Financial Accounting Standards No. 20 published by the ROC Accounting Research and Development Foundation (hereinafter "ARDF") and shall offer opinions of the causes in difference and the appropriateness of the prices:
 - (3.1) Where the results of appraisal offered by a professional appraiser and the price of

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transaction show a gap of 20% or more.

(3.2) Where the results of appraisal offered by two or more professional appraisers show a gap in transaction price of 10% or more, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount.

(4) In the event that the price was appraised prior to execution of the Agreement, the date of the appraisal report issuance shall not be more than three months prior to the date of execution of the Agreement. If the covered period is subject to the official land price latest promulgated by the government of the same term and is not beyond six months, the professional appraiser who issued the appraisal report may issue professional opinions. In a case to acquire or dispose of assets through the procedures of court auction, the supporting certificate(s) issued by the court may be taken in place of the appraisal report.

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 5.11.1 herein,

5.5.2 Credit line limit authorized and hierarchical level:

Power to resolve	Credit line limit authorized
Chairman	Below Sixty Million New Taiwan Dollars (inclusive)
Board of Directors	Sixty Million New Taiwan Dollars up

5.5.3 Unit in charge of enforcement: The issues of the Company to acquire or dispose of real estate or other fixed assets shall be implemented by the Financial Department or the responsible units concerned.

5.6 The procedures of appraisal and operation to acquire real estate from related parties:

5.6.1 Acquirement of real estate by means of purchase or swap with the Company and a related party shall be duly handled in accordance with these Regulations and this Article regarding procedures of resolution to assess and make sure of the rationality of the terms of transaction, and if the transaction

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amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding articles.

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 5.11.1 herein,

5.6.2 While studying and judging whether a transaction target is a related party, the Company should take into account the substantial relationship in addition to the legal formality.

5.6.3 When a public company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors. .

- (1) The objectives, indispensability and anticipated benefits of the real estate to be acquired or disposed.
- (2) The reasons why to choose the subject related party for the transaction.
- (3) With respect to the acquisition of real property from a related party, the supporting documents to back up the rationality of the terms of transaction for appraisal under these Regulations.
- (4) The date while the related party previously obtained the subject assets, the transaction target and the relationship with the Company and the related party.
- (5) The revenues and expenditures anticipated for the respective months of the year ahead of the anticipated execution of the Agreement, with assessment of the indispensability in the transaction and rationality of the capital utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 5.6.1.
- (7) Restrictive terms and other major covenants in the present transaction.

5.6.4 Where the Company has established independent directors, where an issue is reported to the Board of Directors for discussion under the preceding paragraph, the Company should take adequate consideration of the opinions of the independent directors. In the event that the independent director objects or reserved, it shall be recorded on the minutes of the Board of Directors meeting. Where the Company has set up the Audit Committee in accordance with the Company's Articles of Incorporation, the items of Paragraph I shall be subject to consent by a minimum of one-second of all

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Audit Committee members and be submitted to the Board of Directors for final resolution. In the event that the said issue does not pass approval by over one-second of the total Audit Committee members, the case may be granted directly if it is resolved by a two-thirds majority vote in the Board of Directors. The minutes of the board of directors meeting should also expressly remark the decision resolved in the Audit Committee. The terms “entire Audit Committee members” and “entire directors” as set forth herein shall be duly calculated based on the numbers of Audit Committee members and directors actually serving on the post.

5.6.5 Where the Company acquires real estate from a related party, the Company should assess the rationality of the transaction costs in the following means:

- (1) The price of a transaction with a related party shall be added with necessary interest and the costs payable by the buyer. The term “necessary interest and the costs” as set forth herein shall be calculated based on the weighted average interest rate of the loan borrowed in the year where the assets are purchased. Such interest rate shall, nevertheless, not be higher than the highest interest rate of the non-banking enterprise promulgated by the competent authorities of the government.
- (2) In the event that the related party had mortgaged the subject target to a financial institution for loan, that financial institution should assess the total assessed value of the target, provided, that the total accumulated loan granted by that financial institution exceeds 70% of the total assessed value and the loan has lasted for over one year. This provision, nevertheless, is not applicable in the event that the financial institution and either party of the transaction are related parties to each other.
- (3) Where land and building are purchased as a consolidated target of purchase, the land and building shall be separately appraised for the transaction costs based on either of the aforementioned methods.
- (4) Where the Company acquires real estate from a related party, in addition to the aforementioned real estate costs so appraised, the Company should consult a Certified Public Accountant for a recheck and for issuing opinions.
- (5) Where the Company acquires real estate from a related party, the Company should handle in accordance with the requirements set forth in 5.6.3 and 5.6.4 for which provisions set forth in 5.6.5(1)~(4) are not applicable if any of the situations is met:
 - (5.1) Where the related party obtains the real estate as heritage or as a gift.
 - (5.2) Where the related party executed the transaction contract to acquire the real estate more than five years ago before the present transaction.
 - (5.3) Where the Company obtains the real estate through a contract of landowner/builder joint

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venture package.

5.6.6 In the event that the result of assessment conducted by the Company in accordance with 5.6.5

(1)~(3) is lower than the transaction price or there is other proof indicating the subject transaction beyond normal regular transaction, the Company should handle the transaction based on 5.6.7 except a case with any of situations below with objective evidence (exhibits) and with professional opinions to back up the rationality obtained from a professional real estate appraiser and Certified Public Accountant:

- (1) Where a related party obtains maiden land or leases land for construction and where such related party could provide proof to have met with the following requirements:
 - (1.1) Where the maiden land is appraised in the method mentioned in the preceding paragraph and the building is appraised at the building cost of the related party plus reasonable construction profit. The aggregate total exceeds the actual price of transaction. The term “Reasonable construction profit” as set forth herein denotes the averaged gross profitability of the related party’s construction department overage the past three years or the gross profitability promulgated by the competent authorities of the government for the latest period in the construction industry, whichever is the lower.
 - (1.2) Where a case in a successful transaction concluded within one year as another floor level or in a neighboring area of the same subject case, in similar or equivalent terms of transaction with reasonable price terms after appraisal pursuant to real estate transaction customs.
 - (1.3) A case of leasehold within one year as another floor level or in a neighboring area of the same subject case, in similar or equivalent terms of transaction with reasonable price terms after appraisal pursuant to real estate leasehold customs.
- (2) Where the Company provides proof of a case of real estate purchased from a related party in the close terms and floor spaces (areas) concluded with another related party in other area within one year.
- (3) The aforementioned case of successful transaction concluded in a neighboring area refers to a successful case of deal in a same or neighboring block not beyond 500 meters radius from the subject case or close in official land price latest promulgated by the government. The case close in floor spaces (areas) refers to a case of successful deal by a non-related party in a floor

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spaces (areas) not less than 50% of the subject case in principle. The term within one year refers to one-year retrospectively from the date when the real estate acquirement occurs.

5.6.7 Where the Company acquires real estate at a price which is lower based on the results of appraisal under 5.6.4 and 5.6.5, the Company should take the following acts:

- (1) For the difference between the transaction price and the appraised cost for the subject real estate, according to laws and ordinances concerned, the Company should appropriate special earning reserve which should not be allocated or used for conversion into capital increase (re-capitalization). In the event that the Company invests in a company as a public company evaluated in equity method, the Company should appropriate special earning reserve based on the appropriated amount *pro rata* to the shareholding ratio according to laws and ordinances concerned.
- (2) The Company should report the aforementioned acts to the shareholders' meeting and disclose the details of the transaction into the Company's Annual Report and Prospectus.

5.6.8 Where the Company appropriates special reserve under 5.6.7, the Company should not disburse the said special reserve until the assets purchased at high prices have been recognized for the loss or have been disposed, or have received appropriate compensation or have restored to the *status quo ante* or there are other evidence (exhibits) proving nothing unreasonable and until approved by the competent authorities of the government.

5.6.9 Where the Company acquires real estate from a related party, if there is/are other evidence (exhibits) proving that the transaction was inconsistent with normal practice, the Company should duly act in accordance with 5.6.7 and 5.6.8.

5.6.10 With respect to the acquisition or disposal of business-use machinery and equipment between a public company and its parent or subsidiaries, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

5.7 The procedures of assessment and operation when the Company acquires or disposes of membership certificates, intangible assets and major other assets:

5.7.1 Methods of pricing and grounds for reference: Where the Company acquires or disposes of membership certificates; the Company should collect relevant price information beforehand and

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handle the issue through either price negotiation or price competition. Where the Company acquires or disposes of intangible assets and major other assets, the Company shall, as well, collect price related information and assess the laws and ordinances concerned and contents of the contract prudentially so as to determine the price of transaction.

5.7.2 Consultation with experts for opinions:

Where the Company acquires or disposes of membership certificates, intangible assets and major other assets where the transaction amount is up to 20% of the Company's paid-in capital or NT\$300 million, prior to the date of occurrence of the event, the Company should consult with a Certified Public Accountant to offer professional opinions about the rationality of the prices. The Certified Public Accountant shall, meanwhile, duly act in accordance with Statement of Financial Accounting Standards No. 20 published by the ROC Accounting Research and Development Foundation (hereinafter "ARDF").

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 5. 11. 1 herein,

5.7.3 Credit line limit authorized and the hierarchical level:

Power to resolve	Credit line limit authorized 授權額度
Chairman	Below Sixty Million New Taiwan Dollars (inclusive)
Board of Directors	Sixty Million New Taiwan Dollars up

5.7.4 Unit in charge of enforcement: Where the Company acquires or disposes of membership certificates and intangible assets, the implementation unit shall be the Financial Department and Accounting Department and the responsible units concerned.

5.7.5 Transaction procedures: Where the Company acquires or disposes of membership certificates and intangible assets, all issues shall be duly handled in accordance with the requirements set forth in the "Procurement and Payment Criteria" of the Company's internal control

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system.

5.8 The assessment and operation procedures to acquire and dispose the creditor's right (obligatory right) of financial institutions:

The Company does not acquire and dispose the creditor's right (obligatory right) of financial institutions. In the event that the Company intends to acquire and dispose the creditor's right (obligatory right) of financial institutions, the Company should obtain approval from the Board of Directors before enacting the relevant assessment and operating procedures.

5.9 The procedures for assessment and operation of transaction in derivative financial products:

5.9.1 Transaction principles and policies:

(1) Categories of transaction: The derivative financial products handled by the Company are limited in Forward Exchange、options、SWAP、Outright Purchases/Sells and Repurchase. The Company can not handled a new product, in the event that the product does not pass approval by over one-second of the total Audit Committee members, and resolved by the Board of Directors.

(2) Business operation and hedging strategies: The Company should engage in transaction in derivative financial products for the purposes of hedging risks. The products chosen for the transaction should be primarily intended to hedge risks incurred by business operation.

(3) Credit line limit authorized and Classification of powers and responsibilities:

(3.1) Credit line limit authorized :

(3.1.1) "Hedge-oriented" :

Transaction shall be conducted by the Chairman within the scope of powers authorized as shown below and shall, in all cases, be reported to the latest board of directors meeting for retrospective acknowledgement.

Power to resolve	Power authorized for daily transaction	Power authorized for transaction in all positions in accumulation
Chairman	Below US\$2 million (inclusive)	Below US\$2 million (inclusive)
Board of Directors	US\$2 million up	US\$2 million up

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(3.1.2) Other transactions not for “Hedge-oriented” which must be reported to and approved by the Board of Directors beforehand.

(3.2) Financial Department: To assume the responsibility to map out operating strategies and to engage in transaction within the authorized powers.

(3.3) Accounting Department: To assume the responsibility to handle all accounting affairs, produce accounting statements and to assemble the databases on a regular basis.

(3.4) Audit Department: To look into classification of duties and responsibilities, make sure of the appropriateness of the procedures and internal control system and audit the compliance of the procedures.

(4) Assessment of performance:

The Company assesses the profit (loss) performance on a monthly basis to assure sound domination of the risks in evaluation of the transaction.

(5) Total contract amount:

The total contract amount of non-transaction attributed derivative financial products for hedging purposes shall not exceed 10% of the actual value of the Company.

(6) Maximum limit of loss:

After the positions of the derivative financial products are established, the Company should set up a sound stop-loss point to prevent excessive loss. The stop-loss points should be set up within the maximum limit of not exceeding 10% of the contract amount of the transaction. In the event that the loss exceeds 10% of the contract amount of the transaction, the case should be reported to the chairman forthwith and to the Board of Directors to study the right countermeasures against further loss.

5.9.2 Measures of risk control:

(1) Scope of risk control:

(1.1) Credit risk management—The transaction counterparts should be domestic or foreign financial institutions well known for good credit standing capable of providing professional information. The Financial Director should control over the credit line limits of transaction with financial institutions without being over centralized and should adjust the credit line for transaction with financial institutions in line with the change in markets from time to time.

(1.2) Market risk management—The Company should choose markets where the price information is in full disclosure.

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- (1.3) Liquidity risk management—To assure sound liquidity, the financial institutions in transaction should be the ones with capabilities of adequate equipment & facilities, information and transaction and capable of transacting in any market.
- (1.4) Cash flow risk management—To assure sound liquidity of working capital, the Company may engage in derivative financial products transaction only with own funds.
- (1.5) Operating risk management—The Company should faithfully comply with the Credit Line Limit Authorized, Operating Procedures and Other Requirements set by the Company to prevent operating risks.
- (1.6) Legal risk management—For all documents to be signed with any financial institutions, the Company must not sign officially until examination legally to prevent legal risk.

- (2) The personnel who are in charge of transaction of derivative financial products must not concurrently serve for transaction confirmation.
- (3) The personnel to take charge of risk measuring, superintendence and control must come from departments differing from the aforementioned personnel and shall report to the Board of Directors or high ranking supervisors who assume no responsibility of policymaking process.
- (4) The positions possessed for derivative financial product transaction should be appraised on a regular basis and based on Article 5.9.6..

5.9.3 Internal audit system: The Company’s internal auditors should look into the appropriateness of the internal control over the derivative financial product transaction on a regular basis and should audit the transaction department about the compliance of the derivative financial product transaction procedures on a monthly basis and should work out audit reports. Whenever a default is found, a notice should be served to the Audit Committee in writing:

5.9.4 Superintendence and management by the Board of Directors:

- (1) Where the Company engages in derivative financial product transaction, the Board of Directors should conduct superintendence and management in the following principles:
 - (1.1) The Board of Directors should assign the high ranking supervisors to be watchful of the superintendence and control over the risks in derivative financial product transaction.
 - (1.2) The Board of Directors should assess on a regular basis whether the performance of

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derivative financial product transaction is consistent with established operating strategies and whether the risks are within the Company's tolerance..

- (2) The high ranking supervisors assigned by the Board of Directors should conduct the following transaction based on the following principles:
 - (2.1) The high ranking supervisors assigned by the Board of Directors should assess and make sure whether the risk management measures currently adopted are appropriate and should faithfully act in accordance with laws and ordinances concerned and these Procedures.
 - (2.2) The high ranking supervisors assigned by the Board of Directors should closely oversee the transaction and profit (loss) performance and should adopt countermeasures as necessary and should report to the chairman and keep the Board of Directors forthwith. If there has sets up independent directors, the independent director shall attend the Board of Directors to express opinions.
- (3) Where the Company engages in derivative financial product transaction by authorizing the relevant personnel to act within the specified scope according to these Regulations, the derivative financial product transaction should be reported to the Board of Directors afterward retrospectively.

5.9.5 Where the Company engages in derivative financial product transaction, the Company should establish Memorandum (Ready-to-Check) Books to enter all facts regarding the categories of the derivative financial product transaction, the dates when approved by the Board of Directors and the prudential assessment as required under 5.9.6(1), 5.9.4(1)(1.2) and 5.9.4(2)(2.1).

5.9.6 Method of regular assessment and countermeasures against abnormalities:

- (1) The positions possessed for derivative financial product transaction should be assessed on a weekly basis as the minimum. In case of hedging transaction to meet business needs, should be assessed twice per month as the minimum. The assessment reports should be submitted to the high ranking supervisors authorized by the Board of Directors.
- (2) The Board of Directors should authorize high ranking supervisors to superintend and assess whether the risk management measures currently adopted are appropriate and are implemented faithfully, whether the performance of derivative financial product transaction is consistent with established operating strategies, whether the risks are within the Company's tolerance..

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Whenever an abnormality is found, the Company should take countermeasures as necessary and should report to the chairman to discuss the solution, and report to the Board of Directors forthwith.

- 5.10 The assessment and operating procedures over merger, demerger, procurement or share transfer:
- 5.10.1 Where the Company conducts merger, demerger, procurement or share transfer, the Company should, before Board of Directors resolves the decision, retain Certified Public Accountant, Attorney-at-Law or securities underwriter to offer opinions about the share swap ratio, procurement prices or allotment to shareholders in cash or rationality of other assets and should report such results to the Board of Directors for final decision.
- 5.10.2 After the Company becomes a public company, the contents and issues relevant to merger, demerger, procurement or such major issues should be produced into the documents to be made public to shareholders and should be consolidated into the expert opinions mentioned in Paragraph I and the notices to the shareholders' meeting to be served to all shareholders as the reference regarding whether the shareholders agree to the merger, demerger, procurement issues except a case that under laws and ordinances concerned, a shareholders' meeting may be exempted from being held to discuss the issues rgd6 merger, demerger, procurement. In the event that the shareholders' meeting is aborted due to inadequate quorum, voting power, or the issue is vetoed in the shareholders' meeting, the Company should explain to public the cause of the occurrence, the subsequent operations and date scheduled for next shareholders' meeting forthwith.
- 5.10.3 Unless otherwise prescribed by law or in case of an extraordinary reason as duly reported to and approved by the competent authorities of the government, the Company and the company participating in merger, demerger, procurement should hold the board of directors meeting, shareholders' meeting on the same day to resolve decisions regarding merger, demerger, procurement.
- 5.10.4 The Company shall work out written records covering the following issues which shall be archived for five years ready for reference.
- (1) Fundamental personnel data: Including all people who have participated in planning of the merger, demerger, procurement or share transfer or the people who implemented the plans before the information is made public, their position titles, names, identity certificate codes (passport # in case of a foreign citizen).
 - (2) Date of major issues: Including the dates on which the memorandum, letter of intent, appointment of financial or legal consultant were signed and the dates when

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agreements/contracts were signed and the board of directors meetings were convened.

- (3) Major documents and minutes: Including the proposals of mergers, demergers, requisition, procurement or share transfer, Letter of Intent or memorandum, major agreements/contracts and minutes of the board of directors meeting.

5.10.5 The Company shall, as required by laws and ordinances concerned, declare the data under 5.10.4(1)~(2) to the competent authorities of the government in the specified format through Internet system within two days after being resolved by the Board of Directors.

5.10.6 All personnel participating in or aware of the plans of merger, demerger, procurement or share transfer shall issue non-disclosure obligations commitment in writing not to have the contents of the plans disclosed externally, nor shall they launch buys and sales, merger, demerger, procurement or share transfer in their own name or name of another with stocks of relevant companies and other securities attributed in equity Before disclosing the information.

5.10.7 The ratio of share swap or price of procurement shall not be changed arbitrarily except a situation among those enumerated below. Besides, the situations that tolerate a change shall be expressly provided in the agreements/contracts of merger, demerger, procurement or share transfer:

- (1) A case of capital increase (re-capitalization) in cash, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with warrant certificates, preferred shares with warrant certificates and other securities attributed in equity.
- (2) An act to dispose of major assets of the Company or such financial business.
- (3) Occurrence of a credit rating corporations calamity, a significant technological change and such issues that have an impact upon the shareholders' equity or securities prices.
- (4) Where any party among companies participating in merger, demerger, procurement or share transfer repurchases treasury stocks or makes such adjustment in accordance with law.
- (5) In case of increase/decrease in the number of entities or companies participating in the merger, demerger, procurement or share transfer.
- (6) Where other conditions tolerating a change have been expressly provided in the

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agreement/contract and have been disclosed to public.

5.10.8 The agreements/contracts regarding participation in merger, demerger, procurement or share transfer should expressly remark the rights & obligations of the companies participating in the merger, demerger, procurement or share transfer and shall further expressly bear the following particulars:

- (1) Countermeasures against a default.
- (2) The principles to manage the repurchased treasury stocks or the securities attributed in equity which have been issued by the company extinguished or demerged due to merger.
- (3) The volume and the principles to manage the repurchased treasury stocks by the participating in company after the base (reference) date in calculation of the ratio of share swap.
- (4) The way to manage the participating in entities or numbers after developing increase/decrease change.
- (5) Progress of implementation of the scheduled plans and the date of time schedule completion.
- (6) In the event that a plan is overdue in completion, the scheduled date to convene the shareholders' meeting and such handling procedures.

5.10.9 After the Company takes part in merger, demerger, procurement or share transfer and makes such information public externally, in the event that the Company intends to participate in any other company in merger, demerger, procurement or share transfer, all those already completed procedures or legal acts in the original merger, demerger, procurement or share transfer cases should be conducted anew by all participating companies except a case where the number of participating companies decreases for which the Board of Directors has been authorized to change the power whereunder a shareholders' meeting to resolve a decision anew may be exempted.

5.10.10 In the event that a company participating in merger, demerger, procurement or share transfer is not a public company, the Company should sign agreement/contract with such company and duly act in accordance with 5.10.3~5.10.6 and 5.10.9.

5.11 Full information disclosure:

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5.11.1 Where the Company acquires or disposes of assets and where any of the following situations occurs, the Company shall, in coordination with the formats as required, proceeds with promulgation and declaration within two days after occurrence of the facts:

- (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements..
- (2) Where the Company launches merger, demerger, procurement or share transfer.
- (3) Where the Company undergoes a loss in derivative financial product transaction up to the maximum limit specified in the Handling Procedures for the losses for the agreements/contracts individually or in full.
- (4) Other than the asset transaction 、 creditor's right (obligatory right) or invests in China disposed with the financial institutions as set forth under Paragraphs (1)~(3) above, there the amount of transaction is up to 20% of the Company's paid-in capital or over NT\$300 million, except the situations below:

(5.1) Transaction of government bonds.

(5.2) Where the Company takes investment as its profession, the buys and sales of securities made in stock exchanges or the securities dealers' business premises in Taiwan and abroad.

(5.3) Buys, sales with repurchase, bonds with back-sales terms.

(5.4) Where the assets acquired or disposed are machinery & equipment for the Company's own business operation need and the transaction counterpart is not a related party, and the amount of transaction does not exceed NT\$500 million.

(5.5) Where the acquiring or disposing case is a case under an arrangement for commissioned construction on self-owned land, a case of construction on rent land, a case of construction in a joint venture under division, a case of construction in a joint venture under sharing in percentage, a case of construction in a joint venture under divided sales where the amount the Company is anticipated to invest is not over NT\$500 million.

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(6)The aforementioned amounts of transaction shall be calculated in the following means. The term within one year should be calculated based on the date of occurrence of fact, as one year retrospectively till that date. The part which has been duly promulgated is exempted from being counted in:

(6.1)Amount of each transaction.

(6.2)The amount of transaction of same attributed targets acquired from or disposed with in accumulation with a same counterpart within one year.

(6.3)The amount of real estate in a same development project acquired from or disposed with in accumulation with a same counterpart within one year (the amounts adequate and disposed shall be accumulated respectively)

(6.4)The amount of same securities acquired from or disposed with in accumulation with a same counterpart within one year (the amounts adequate and disposed shall be accumulated respectively).

- 5.11.2 The Company should, on a monthly basis, in promulgation of information, input the information of derivative financial product transaction in the specified format as of the end of the preceding month into the information declaration website designated by the competent authorities of the government for promulgation not later than the 10th day of every month.
- 5.11.3 Whenever the Company notices any error or omission in the items of required promulgation which calls for a corrective action, the Company should promulgate and declare all such items anew.
- 5.11.4 Where the Company acquires or disposes of assets, the Company should place the relevant agreements/contracts, minutes of meetings, Memorandum (Ready-to-Check) Books, appraisal reports, professional opinions offered by the Certified Public Accountant, Attorney-at-Law or securities underwriters at the Company. All such documents shall be archived for a minimum of five years unless otherwise prescribed by the Company's Articles of Incorporation and other law.
- 5.11.5 Whenever anyone of the following situations is found after the Company declares, promulgates the transaction according to the preceding regulation, the Company should promulgate and declare the relevant information through the website designated by the competent authorities of the government within two days after occurrence of the facts:

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- (1) Where the agreement/contract previously signed for the transaction is changed, terminated or rescinded.
- (2) Where the merger, demerger, procurement or share transfer is(are) not completed within the time limit specified in the agreements/contracts.
- (3) The contents of declare has changed.
原公告申報內容有變更。

5.11.6 Where a subsidiary of the Company is not public company and where the assets it acquires or disposes are up to the criteria for promulgation and declaration, the Company should conduct promulgation and declaration on its behalf. Where the subsidiary is up to 20% of the paid-in capital or 10% of the total assets in promulgation and declaration, it is calculated based on the Company's paid-in capital or the total assets.

5.12 The procedures of control over subsidiaries in acquiring or disposing of assets:

- (1) The Company should urge its subsidiaries to duly enact Procedures to Acquire or Dispose of Assets to be approved by their boards of directors and to be resolved by their shareholders' meeting. The same process shall be required in case of an amendment.
- (2) Where a subsidiary acquires or disposes of assets, it shall duly act in accordance with the "Regulations to Acquire or Dispose of Assets" enacted by itself or other laws and ordinances concerned, to be approved by its board of directors. For all such transactions, it should report to the Company beforehand. The Company's Financial Department should assess the feasibility of the assets so acquired or disposed, the indispensability and rationality, conduct tracing assessment and analysis afterward.
- (3) The Company's internal auditors should look into and make sure of the subsidiaries' compliance with their "Regulations to Acquire or Dispose of Assets" and work out audit reports. The findings and suggestions contained in the audit reports should, after being reported for approval, be informed to the examined subsidiaries for tracing report on a regular basis to make sure that all the subsidiaries have taken corrective action (remedial measure) as appropriate in time.

5.13 Penalty clauses: The Company's personnel concerned who violate these Regulations while acquiring or disposing of assets shall receive due penalty in accordance with the Company's Personnel

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Rules as the actual requirements may justify.

- 5.14 Supplementation of laws and ordinances concerned: Any matters insufficiently provided for herein shall be subject to laws and ordinances concerned.
- 5.15 Enforcement and amendment:
- 5.15.1 These Regulations shall be put into enforcement on the date when the Company's stocks are listed in the Taiwan Stock Exchange (TWSE) or GreTai Securities Market after being resolved in the Board of Directors and the shareholders' meeting. Where a director objects with record or written declaration, the Company should submit the objection to the shareholders' meeting for discussion. This same principle is equally applicable to an event of amendment.
- 5.15.2 After the Company duly sets up independent directors, in case where these Regulations are submitted to the Board of Directors for discussion, the Company should take adequate consideration of the opinions of the independent directors. Their opinions, both pros and cons, and the reasons should be expressly entered into the minutes of the board of directors meeting.
- 5.15.3 Where the Company has set up the Audit Committee in accordance with the Articles of Incorporation, enactment or amendment of these Regulations shall be subject to consent by a minimum of one-second of all Audit Committee members and be submitted to the Board of Directors for final resolution.
- 5.15.4 In the event that the said issue does not pass approval by over one-second of the total Audit Committee members, the case may be granted directly if it is resolved by a two-thirds majority vote in the Board of Directors. The minutes of the board of directors meeting should also expressly remark the decision resolved in the Audit Committee.
- 5.15.5 The terms total Audit Committee members and the aforementioned total directors shall refer to those actually serving during the tenure of office.

6. References:

參考文件：

Regulations Governing the Acquisition or Disposition of Assets by Public Companies.



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7. Forms concerned:

Memorandum (Ready-to-Check) Book of derivative financial products.
Approval form of derivative financial products

8. Appendices:

8.1 Nil :

Operating vouchers:

Nil.

Important notes:

Nil.