

Voltronic Power Technology Corp.
Procedures for the Acquisition or Disposal of Assets

Chapter I General Provisions

Article 1 These “Procedures for the Acquisition or Disposal of Assets” are duly enacted by the Company (hereinafter referred to as the Procedures) in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the competent authority for the purposes of assuring sound disclosure of information to public for better management over the Company’s assets.

Article 2 The Company’s shall acquire or dispose of assets exactly in accordance with the Handling Regulations of the competent authority and these Procedures unless otherwise prescribed other laws and ordinances concerned or the Company’s internal control system which shall prevail, if any.

Article 3 The term “assets” as used in these Procedures is applicable to the scope below:

1. Stocks, bonds, corporate bonds, bank debentures, negotiable securities demonstrating funds, deposit receipt certificates (DRC), share subscription (sales) warrants, beneficiary securities and assets based securities (hereinafter collectively referred to as negotiable securities).
2. Real estate (including land, buildings, constructions, investment oriented real estate, rights of land use, inventory in construction business) and equipment.
3. Membership certificates.
4. Patents, copyrights, trademarks, franchises and such intangible assets.
5. Creditor’s rights of financial institutions (including receivables, exchange purchase discounts, loans, overdue receivables).
6. Derivative financial instruments.
7. Assets acquired or disposed as a result of merger, demerger, share assignment.
8. Other significant assets.

Article 4 Definitions of terminology under the Procedures:

1. Derivative financial instruments:

The forward contracts with values deriving from assets, interest rates, exchange rates, indices or other interests, option contracts, futures contracts, leverage guarantee bond contracts, exchange contracts and the combined contracts composed with the aforementioned merchandise. The term “forward contracts”

as set forth herein excludes insurance contracts, performance contracts, after-sales services contracts, long-term lease agreements and long-term purchase (sales) contracts.

2. Assets acquired or disposed as a result of merger, demerger, acquirement or share transfer.

The assets acquired or disposed as a result of merger, demerger, acquirement in accordance with the Business Mergers And Acquisitions Act, Financial Holding Company Act or other laws and ordinances concerned, or inward transfer from another company in accordance with Paragraph 8, Article 156 of the Company Act through issuance of new shares (hereinafter referred to as transfer of shares).

3. Related parties, subsidiaries:

To be duly identified in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

4. Professional appraisers:

The real estate appraisers or other experts engaging in appraisal of real estate, equipment & facilities in accordance with the Agreement other laws and ordinances concerned.

5. Date of occurrence of the facts:

The dates upon execution of transaction contracts, payment, entrusting transaction, ownership transfer registration, while the decisions are solved in the board of directors or other dates to ascertain transaction targets and transaction amounts, whichever is the earlier. In case of an investment as approved by the competent authority, the aforementioned dates or the date of approval by the competent authority, whichever is the earlier.

6. Investment in China:

The investment in China in accordance with the Regulations Governing Permit of Investment or Technical Cooperation in China promulgated by the Investment Commission, Ministry of Economic Affairs.

Article 5 Where the Company obtains appraisal reports or written opinions from Certified Public Accountants, Attorney-at-Law or securities underwriters, such professional appraisers, Certified Public Accountant, Attorney-at-Law or securities underwriters as well as the transaction parties shall not be a related party.

Chapter II Disposing procedures

Section 1 Acquisition or disposal of assets

Article 6 Appraisal procedures

Where the Company acquires or disposes of assets, the prices shall be determined with reference to the following rules:

1. Investment in negotiable securities:

(1) Where the Company acquires or disposes of negotiable securities, the Company shall obtain the financial statement of the latest term of the target company which has been certificate or audited by the Certified Public Accountant before the date of occurrence of fact for reference of the pricing and shall determine the transaction price based on the following means:

- 1) Where the Company acquires or disposes of negotiable securities which have been traded in the centralized markets or the business premises of the securities dealers: To be determined based on the prices traded that time.
- 2) Where the Company acquires or disposes of negotiable securities which are not traded in the centralized markets or the business premises of the securities dealers: The Company shall take into account the net worth per share, profitability, potential of future development with reference to the prices traded that time, or with reference to the interest rates in the markets, face interest rates or the credit standing of the debtors.

(2) Where the amount of transaction exceeds 20% of the Company's paid-in capital or NT\$300 million, the Company shall consult with the Certified Public Accountant about the rationality of the trading price before date of occurrence of fact. Where the Certified Public Accountant intends to adopt an expert report, the issue shall be duly handled in accordance with Statement of General Auditing Procedures No. 20 published by the (hereinafter referred to as ARDF) unless the negotiable securities have prices quoted in the open market or unless otherwise prescribed by the Financial Supervisory Commission, Executive Yuan (hereinafter referred to as Financial Supervisory Commission).

2. Real estate or equipment:

(1) Where the Company acquires or disposes of real estate, the Company shall take reference to official land price latest promulgated by the government, appraised values, prices substantially concluded in successful deals in the

vicinity. Where the Company acquires or disposes of equipment & facilities, the Company shall collect price related information beforehand and determine the prices through one means among price competition, price negotiation or open tender.

(2) Where the Company acquires or disposes of real estate or equipment & facilities, except an event of transaction with the government authorities, construction on own land, delegated construction on leased land, or acquisition or disposal of equipment & facilities for business operation purposes, where the amount of transaction exceeds 20% of the Company's paid-in capital or NT\$300 million, the Company shall obtain the appraisal report issued by a professional appraiser before date of occurrence of fact. Besides, the transaction shall satisfy the requirements enumerated below :

- 1) With an extraordinary reason where the restricted price, specified price or a special price shall be taken as the grounds for reference, that transaction shall be duly resolved by the Audit Committee and/or the board of directors beforehand. In case of a change in the transaction conditions in the future, the aforementioned procedures shall apply.
- 2) In a case with transaction price exceed NT\$1 billion, the Company shall consult two or more professional appraisers for appraisal.
- 3) Where the outcome of appraisal by the professional appraisers shows a situation falling within those enumerated below, except an event where the outcome of appraisal of assets to be acquired is higher than the trading price, or the outcome of appraisal of assets to be disposed of is lower than the trading price, the Company shall consult with a Certified Public Accountant to duly handle the case in accordance with the Statement of General Auditing Procedures No. 20 published by the ARDF, Republic of China and to offer concrete opinions about the causes of difference and the appropriateness of the trading price:
 - a. Where the outcome of appraisal and the trading price shows a price gap over 20%.
 - b. Where the appraisal results by two or more professional appraisers show a gap over 10%.
- 4) The date while the professional appraiser issues the report shall not be up to three (3) months from the date for execution of the Agreement. If the dates fall within a same period of official land price latest promulgated by the government and are not more than six months, the

Company may consult with the original professional appraiser to issue written opinions.

3. Membership certificate or intangible assets:

- (1) Where the Company acquires or disposes of membership certificate, the Company shall collect relevant price information beforehand and may conduct either price comparison or negotiation. Where the Company acquires or disposes of intangible assets, the Company shall collect relevant price information beforehand and evaluate the laws and ordinances concerned and the contract prudentially to determine the trading price.
- (2) Where the Company acquires or disposes of membership certificate or intangible assets with trading amount exceeding 20% of the Company's paid-in capital or NT\$300 million, except a transaction with government authorities, the Company shall consult with a Certified Public Accountant before the date of occurrence of fact. The Certified Public Accountant shall duly handle the case in accordance with the Statement of General Auditing Procedures No. 20 published by the ARDE, Republic of China .

4. Where the Company acquires or disposes of derivative financial instruments, the Company shall duly handle in accordance with provisions set forth under Section 3, Chapter II of these Procedures.

5. Where the Company engages in merger, demerger, acquisition or transfer of shares, the Company shall duly apprise in accordance with provisions set forth under Section 4, Chapter II of these Procedures.

6. In case of creditor's right of financial institutions or other major assets:

Where the Company acquires or disposes of creditor's right of financial institutions or other major assets, the Company shall collect relevant price information beforehand and evaluate the laws and ordinances concerned and the contract prudentially to determine the trading price.

7. Where the Company acquires or disposes of assets through court auctions, the Company may take the supporting certificate(s) issued by the court instead of the appraisal reports or Certified Public Accountant opinions.

8. Where the Company acquires or disposes of real estate, equipment & facilities, membership certificates, negotiable securities and intangible assets and consults with the experts for professional opinions, the Company shall duly act in accordance with Paragraph 2 of Article 27. The term "within one year" as set forth therein shall be based on the date of occurrence of fact in the present trading,

one year period respectively beforehand The part for which the Company has obtained appraisal report issued by a professional appraiser or Certified Public Accountant opinions may no longer be counted.

Article 7 Operating procedures

1. Authorized credit lines and authorization levels:

- (1) Where the Company acquires or disposes of assets, the department head in charge shall compile all such information including the reasons why for acquisition & disposal, targets for acquisition & disposal, transaction counterparts, transfer prices, terms of payment, conditions for collection and payment, grounds for price reference and such grounds and submit them all to the competent department head for final decision. In case of derivative financial instruments, the credit limit and level of authorization shall be duly handled in accordance with requirements set forth under Section 3, Chapter II of the Procedures.

Descriptions	Amounts		Competent units		
		General manager	Chairman	Audit Committee	Board of directors
Long-term negotiable securities	Below NT\$ 10 million (inclusive)	Final decision			
	NT\$10 million (exclusive)~NT\$30 million	Review	Final decision		
	NT\$ 30 million (exclusive) up	Review	Review	Review	Final decision
Buy, sales of bonds, bonds with repurchase, resale terms, subscription, redemption of funds from domestic money markets.	Below NT\$ 10 million (inclusive)	Final decision			
	NT\$ 10 million (exclusive) up	Review	Final decision		
Buy, sales of bonds, bonds with repurchase, resale terms, subscription, redemption of funds from domestic money markets; bonds with repurchase, with resale, subscription to, redemption of domestic market funds.	Below NT\$ 10 million (inclusive)	Final decision			
	NT\$ 10 million~NT\$30 million (inclusive) up	Review	Final decision		
	NT\$ 30 million (exclusive) up	Review	Review	Review	Final decision

Real estate	Below NT\$ 30 million (inclusive)	Review	Final decision		
	NT\$ 30 million (exclusive) up	Review	Review	Review	Final decision
Equipment & facilities	NT\$ 10,000 (exclusive)~NT\$1 million (inclusive)	Final decision			
	NT\$ 1 million (exclusive)~NT\$30 million (inclusive)	Review	Final decision		
	NT\$ 30 million (exclusive) up	Review	Review	Review	Final decision
Membership certificate	Below NT\$ 1 million (inclusive)	Review	Final decision		
	NT\$ 1 million (exclusive) up	Review	Review	Review	Final decision
Intangible assets	Below NT\$ 5 million (inclusive)	Final decision			
	NT\$ 5 million (exclusive) ~NT\$10 million (inclusive)	Review	Final decision		
	NT\$ 10 million (exclusive) up	Review	Review	Review	Final decision
Creditor's right of financial institutions	Below NT\$ 10 million (inclusive)	Final decision			
	NT\$ 10 million (exclusive)~NT\$80 million (inclusive)	Review	Final decision		
	NT\$ 80 million (exclusive) up	Review	Review	Review	Final decision
Enterprise merger, demerger, acquisition or transfer of shares	Subject to final decision from the shareholders' meeting according to law	Review	Review	Review	Final decision
	Not subject to final decision from the shareholders' meeting according to law	Review	Review	Review	Review
Other significant assets	Below NT\$ 5 million (inclusive)	Review	Final decision		
	NT\$ 5 million (exclusive) up	Review	Review	Review	Final decision
Note: The term "domestic money market funds" as set forth herein denotes money market funds issued by domestic securities investment trust enterprises.					

(2) Where the Company acquires or disposes of assets which should call for

approval from the board of directors according to these Procedures or other laws and ordinances concerned, in the event that a director objects backed with record or declaration in writing, the Company shall refer the data of objection from that director to the Audit Committee.

Where the Company has set up independent directors in accordance with the Securities and Exchange Act and where the Company acquires or disposes of assets in accordance with the preceding paragraph and submits the issue to the board of directors for discussion, the Company shall take the voices of the independent directors into adequate consideration. In case of cons or reserved opinions heard from independent director(s), such cons or reserved opinions shall be expressly entered into the minutes of the board of directors meeting.

2. Unit of implementation:

- (1) Short-term investment in negotiable securities, derivative financial instruments and creditor's rights of financial institution:

All such transactions shall be evaluated and implemented by the Department of Finance.

- (2) Targets beyond the preceding paragraph:

The general manager shall instruct the responsible person or shall set up the Task Force to take charge of evaluation and implementation..

- (3) Public announcement and declaration:

The promulgated declarants shall approach the unit(s) in charge to compile, announce and declare relevant information and take the overall charge.

3. Transaction procedures:

All Procedures and operations in acquisition & disposal of assets shall be duly handled exactly in accordance with laws and ordinances concerned and the Company's internal control system.

Article 8 The aggregate total of real estate or negotiable securities not in business operation use obtained by the Company and its subsidiaries and the restrictions on the respective negotiable securities:

1. Where the Company acquires real estate not within the use of its business operation, the aggregate total shall not exceed 10% of the Company's net worth as shown through the Company's financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant. In case of

a subsidiary, the aggregate total shall not exceed 10% of its net worth.

2. The aggregate total of negotiable securities obtained by the Company and its subsidiaries and the individual negotiable securities shall be subject to the following limits:
 - (1) Where the Company and its subsidiaries invest individually in negotiable securities, except the event where the investments have been approved by the respective shareholders' meetings of the Company and the subsidiaries and except an event where the subsidiary takes investment as its exclusive profession, the aggregate total of the investment shall not exceed 100% of the net worth shown on the latest financial statements of the Company and the subsidiaries which have been duly certified or audited by Certified Public Accountant.
 - (2) Unless approved by the respective shareholders' meetings of the Company and the subsidiaries and except an event where the subsidiary takes investment as its exclusive profession, the limits of the Company and its subsidiaries shall not exceed 100% of the net worth shown on the latest financial statements of the Company and the subsidiaries which have been duly certified or audited by Certified Public Accountant.
3. Where a subsidiary gets the aggregate total of transactions in the two preceding Paragraphs and the individual negotiable securities, in the event that that subsidiary's individual or respective financial statements are not required to be certified or audited by Certified Public Accountant, the net worth shown in the financial statements worked out by the subsidiary may be taken as the grounds for calculation.

Article 9 The procedures for the Company to control over subsidiaries in acquisition or disposal of assets:

1. The Company shall urge the subsidiaries to enact and implement the Procedures for the Acquisition or Disposal of Assets in accordance with the Handling Regulations and to submit them to the subsidiary's board of directors for resolution and to the shareholders' meeting for approval, and to exactly act in accordance with such Procedures.
2. The Company shall examine the subsidiaries and urge the subsidiaries to self-evaluate whether the "Procedures for the Acquisition or Disposal of Assets" enacted by them are consistent with Handling Regulations, the rules and regulations of the Company and its subsidiaries, the internal control system and to make sure whether the subsidiaries have duly handled acquisition or disposal of

assets exactly in accordance with the aforementioned requirements.

3. Where a subsidiary of the Company is not a company listed to public in the territories of the Republic of China and where the subsidiary is required to announce to public for the acquisition or disposal of assets in accordance with Chapter III, such act to announce to public shall be conducted by the Company.
4. A subsidiary shall submit to the Company the relevant information transaction memorandum books and facts consistent with the public announcement about transaction in derivative financial instruments on a monthly basis.
5. The auditors shall audit and recheck the facts of self-evaluation reports conducted by the subsidiaries.

Section 2 Transactions with related parties

Article 10 Where the Company acquires or disposes of assets from a related party, other than the efforts to resolve the decisions and to evaluate the rationality of the terms of transaction in accordance with the preceding and present Sections, if the amount in the transaction exceeds 10% of the aggregate total assets of the Company, the Company shall obtain the appraisal report from the professional appraisers or the opinions of the Certified Public Accountant in accordance with the preceding Section.

The amount of transaction in the preceding Paragraph shall be duly calculated in accordance with the requirements set forth under Subparagraph 8, Paragraph 1 of Article 6.

Upon judgment about whether the transaction object is a related party of the Company, other than the legal forms, the Company should take into account the substantial relationship.

Article 11 Where the Company acquires or disposes of real estate from or with a related party or acquires or disposes of assets other than real estate from or with a related party and where the amount of transaction is up to 20% of the Company's paid-in capital, 10% of the Company's total assets or exceeds NT\$300 million, except a transaction of government bonds, bonds with repurchase, resale (repo and reverse repo), subscription to or redemption of funds from domestic money markets, the Company shall submit the following documents to the Audit Committee and obtain consent from more than a half of the total Audit Committee members and further submit to the board of directors for resolution before the Company may execute the transaction agreement and grant payment to which the provisions set forth under Paragraph 2, Article 31 is mutatis mutandis applicable.

1. The objectives, indispensability and anticipated effectiveness to acquire or dispose

of assets.

2. The reasons behind selection of the related party as the target for transaction..
3. The supporting documents to prove rationality for acquisition or disposal of real estate, the evaluation of the terms and conditions of transaction in accordance with Article 12 and Article 13.
4. The date and price for the related party in acquirement, transaction targets and their relationship with the Company and related parties.
5. The forecast revenues and expenditures for each and every month in the year ahead of the date anticipated to execute the contract with evaluation of the indispensability of transaction and rationality in use of the funds.
6. The appraisal report issued by the professional appraisers or opinions of Certified Public Accountant as required under the preceding Article.
7. The restrictive terms of the present transaction and other significant covenants.

The amount of transaction mentioned in the preceding Paragraph shall be calculated in accordance with Paragraph 2 of Article 27. The term within one year shall be the one-year period calculated retrospectively from the date of occurrence of fact in the present transaction. The part which has been submitted to the board of directors for resolution and acknowledgement is no longer required to be counted in.

In case of the equipment for business operation use acquired or disposed of by and among the Company, the parent company and subsidiaries, the board of directors authorizes the chairman to go ahead first within 20% of the Company's paid-in capital before it is to be reported to the latest upcoming board of directors meeting for acknowledgement retrospectively.

Where the Company has set up independent directors in accordance with the Securities and Exchange Act, upon submittal to the board of directors for discussion in accordance with Paragraph 1, the opinions of the independent directors shall be taken into adequate consideration. Their opinions, pros and cons by the independent directors as well as their reasons shall be expressly entered into the minutes of the board of directors meeting.

Article 12 Where the Company acquires real estate from a related party, the rationality of the transaction costs shall be evaluated in the following means:

1. The price of transaction with the related party added with the interest necessary for the fund and the cost the buyer is required to bear according to law. The term

“interest necessary for the fund” as set forth herein shall be calculated based on the amount borrowed in the year for procurement of the assets added with weighted average interest rate. The interest shall, nevertheless, not beyond the highest interest rate of non-financing enterprises as promulgated by the Ministry of Finance..

2. In the event that the related party has previously used the target to obtain mortgage loan from a financial institution, the total value evaluated by the financial institution over that target. The accumulated value of the target with actual amount of the loan by that financial institution shall be over 70% of the total value averaged and the duration of the loan shall be over one year, nevertheless, unless the financial institution is a related party with either party of the transaction to which, the aforementioned provision does not apply.

Where land and building of a same target are purchased in package, the land and the building may be taken to evaluate the transaction costs for either party in accordance with the preceding Paragraph.

Where the Company acquires real estate from a related party, the real estate cost shall be appraised based on Paragraphs 1 and 2. Besides, the Company shall consult with a Certified Public Accountant for recheck and for offering concrete opinions.

Where the Company acquires real estate from a related party where it meets a situation falling within those enumerated below, it shall be duly handled in accordance with Article 11 to which the provisions set forth under the three preceding Paragraphs shall not apply:

1. Where the related party acquires the real estate as a result of inheritance or as a gift.
2. Where the related party executed contract and obtained the real estate up to five years ago from the present transaction.
3. Where the related party executed the contract for landowner/builder joint venture package, delegated communications with own land, delegated construction with leased land as the reason to obtain the real estate.

Article 13 Where the outcome of evaluation conducted in accordance with Paragraphs 1 and 2 of the preceding Article is lower than the price of transaction, the Company shall handle the case in accordance with Article 14 except an event falling within those enumerated below where the objective proofs, rational opinions have been obtained from the professional appraisers or Certified Public Accountant:

1. In the event where the related party obtained virgin land or leased land before construction, the Company may provide proof as consistent with a situation falling within those enumerated below:
 - (1) Where the virgin land is appraised in the method as per preceding Article and the building is appraised based on the related party's construction cost plus reasonable construction profit, and the aggregate total exceeds the price of substantial transaction. The term "reasonable construction profit" as set forth herein shall be based on the gross operating profit of the related party averaged in the past three years or the construction enterprise gross profit in the latest term as promulgated by the Ministry of Finance, whichever is the lower.
 - (2) Where a case of successful deal of other floor level of the same real estate case in the vicinity concluded with a non-related party within one year, with close floor spaces in the similar conditions of transaction pursuant to real estate transaction customs based on the reasonable floor level or region in terms of price gaps.
 - (3) Where a case in leasehold of other floor level of the same real estate case concluded with a non-related party within one year, with similar conditions of transaction pursuant to real estate transaction customs based on the reasonable floor level in terms of price gaps. .
2. A case of proof provided by the Company as purchased from the related party in the conditions similar to a case in the vicinity concluded with a non-related party within one year and with close floor space size. .

The term "case concluded in the vicinity" as set forth in the preceding Paragraph denotes a case in a same or neighboring block not beyond 500 meters radius from the subject case of transaction or with close official land price latest promulgated by the government in principle. The term "close in floor space size" as set forth herein denotes a case not below 50% from the subject transaction case in floor spaces in principle. The term "within one year" as set forth herein denotes the one-year period retrospectively prior to the date of occurrence of fact of acquirement of the real estate.

Article 14 Where the Company acquires real estate from a related party, if the outcome of in appraisal accordance with Article 12 and Article 13 is lower than the price of transaction, the Company shall conduct the following acts:

1. For the gap between the transaction price of the real estate and the appraised cost, the Company shall, in accordance with the provisions set forth under the Securities and Exchange Act, duly amortize special reserve and shall not allocate the earnings

or use the earnings for allocation of stocks. In the event that the investor of the Company evaluated in equity method is a publicly listed company, the Company shall, as well, amortize special reserve pro rata to shareholding ratio in accordance with the Securities and Exchange Act.

2. The independent directors of the Audit Committee shall duly handle in accordance with Article 218 of the Company Act.
3. The Company shall report to the shareholders' meeting about the results of handling in accordance with Paragraphs 1 and 2 and disclose the contents in detail onto the Annual Report and Prospectus.

Where the Company has duly amortized special reserve in accordance with the product, the special reserve shall not be disbursed until after that for the assets purchased at excessively high price, the allowance for price down has been acknowledged, or been duly disposed with appropriate compensation back to the status quo ante or there has been other proof justifying the rationality and until after the Financial Supervisory Commission approves.

Where the Company acquires real estate from a related party, if there is other proof indicating the transaction irrational from normal practice, the case shall be duly managed in accordance with the two preceding Paragraphs.

Section 3 Transaction on derivative financial instruments

Article 15 Principles and policies of transactions

1. The categories of derivative financial instruments subject to the transactions:
 - (1) The Company may engage in transaction in derivative financial instruments which are, nevertheless, confined to the derivative financial instruments as defined under Subparagraph 1, Paragraph 1 Article 4 of these Procedures.
 - (2) The provisions set forth under these Procedures are equally applicable *mutatis mutandis* to transaction of guarantee bonds for security.

2. Management or hedging strategies:

In hedging operation transactions, the Company shall first offset and square internally in package and take the net position as the grounds for operation. The Company engages in transaction in derivative financial instruments for the purposes of hedging risks. In merchandise, the Company shall choose those which could evade the potential risks in business operation by the Company.

3. Division of authority and responsibility:

- (1) The Department of Finance: Routinely, the department shall take charge of management over the Company's working capitals as the very pivot of the managerial system for derivative financial instruments merchandise transactions. It dominates operation of derivative financial instruments, forecast of position and collection of the financial information relevant to the Company. The department should firmly dominate market updates, trends, risks, structure of financial products, rules and laws, operating skills to function as the handy reference in implementation of business operation.
- (2) Accounting Department: The department head shall, accurately, calculate the realized position and position that might occur in the future to enter into accounts based on the settlement vouchers and relevant transaction certificates.
- (3) Audit Department: The department shall evaluate on a regular basis whether transaction on derivative financial instruments is consistent with the procedures of internal control system and whether the risks are within the scope tolerable to the Company.

4. Essentials in performance evaluation:

In operating derivative financial instruments, the Company shall timely record details of the operation to dominate the profitability status and ascertain whether the profit and loss so incurred are within the anticipated scope, whether the profit or loss is consistent with the mechanism of stop-loss. Besides, the Company shall settle the profitability in foreign exchange on a monthly, quarterly, semiannual and annual basis.

5. The aggregate total of contract and maximum limit of loss:

- (1) The aggregate total on contract of derivative financial instrument transaction is fixed within the limits of US\$100 million or the New Taiwan Dollars of the equivalent value.
- (2) The aggregate total loss under the contract is fixed within the limits of US\$2 million or the New Taiwan Dollars of the equivalent value.
- (3) The maximum limit of loss under the single contract is fixed within the limits of US\$500,000 or the New Taiwan Dollars of the equivalent value.

Article 16 Procedures for the Company to engage in transaction in derivative financial instruments:

1. The credit limit and level of authorization:

- (1) For the purposes of hedging:

Taking the demand positions of the Company for various currencies every month in the Company, with the amount authorized for each transaction case to which the provisions set under Sub-subparagraph 2, Subparagraph 1, Paragraph 1, Article 7 is *mutatis mutandis* applicable.

Level	Amount of transaction
Chairman	US\$2,500,000(inclusive) maximum.
Board of Directors	US\$2,500,000(exclusive) minimum.

- (2) For the purposes of transaction:

The Company does not engage in non-hedging derivative financial instruments in principle.

2. Procedures for transaction in derivative financial instruments:

- (1) Implementation of the transactions: The personnel of the Department of Finance shall take charge of transaction for derivative financial instruments with the financial institutions within the scope of authorized credit limit based on the approved operating strategies. Upon completion of every deal, the Department of Finance personnel shall work out the transaction memos and remark thereon the contents of transaction based on the reports of successful deals from the financial institutions, to be signed and verified by the competent department head. Besides, such personnel in charge shall conduct of statistics of the positions and hand over the duplicate copies of the transaction memos and relevant trading vouchers to the Accounting Department.
- (2) Confirmation of transactions: The Accounting Department shall check and verify the transactions based on the duplicate copies of the transaction memos and relevant trading vouchers. Subsequently, the Accounting Department shall enter the details based on the confirmed figures and the settlement process. The Department of Finance shall work out assembled statements and submit them to the Accounting Department as the grounds of subsequent evaluation.
- (3) Submittal to the board of directors: While the Company engages in transaction in derivative financial instruments, the Company shall assemble the amounts and relevant profit and/or loss and such data to the board of directors.

Article 17 While the Company engages in transaction in derivative financial instruments, the Company shall set up the memorandum books which shall bear in details the categories, amounts of the transaction in derivative financial instruments, date as approved by the

board of directors, facts subject to prudential evaluation as set forth under Sub-subparagraphs 1~3, Subparagraph 5, Paragraph 1 of Article 18.

1. The memorandum book shall expressly bear the transaction in derivative financial instruments, including the credit limit authorized for each and every deal of the transaction in derivative financial instruments.
2. The dates and credit limit as approved by the board of directors as shown on the memorandum book shall include the dates and credit limit approved for each and every deal on a case-by-case basis.
3. In the event that the issues are handled by authorized personnel, the entries in the memorandum book shall include the dates when submitted to the board of directors.

Article 18 Measures of risk control:

1. The scope of risk control for transaction in derivative financial instruments is enumerated below:

(1) Credit risk control:

The targets of transaction shall be confined to banks in transaction with the Company and well renowned financial institutions with sound credit standing which are capable of offering professional information. The personnel in charge of registry of transaction shall register the credit limit control list and shall check and verify the accounts with the correspondent banks on a regular basis.

(2) Market prices and risk management:

The Company shall aim at the financial products popularly traded in the international community and shall minimize the use of the specifically designed products. The registration personnel shall check and verify from time to time whether the aggregate total in trading is consistent with the limit specified under the Procedures. The Accounting Department shall evaluate the market prices all the time and shall be closely watchful of the potential impact upon the Company's profit and/or loss position as a result of change in interest rate, exchange rate or other factors and put such impact under close control all the time.

(3) Management over liquidity, cash flow risks:

To assure sound liquidity in the markets, the financial institution in charge of trading shall be equipped with adequate facilities, information and trading

capability to be capable of trading in any sorts of markets. The transaction in derivative financial instruments so engaged by the financial institution shall be confined only to those standardized derivative financial instruments listed in the internationally renowned exchanges or traded through the bank counters. The traders shall be prudentially watchful of the cash flow of the Company to assure that at the moment of settlement, there will be adequate cash available for payment. .

(4) Operating risk control:

All personnel shall be strictly compliant with the expressly authorized credit limit and operating procedures to prevent potential operating risks.

(5) Control over legal risks:

The papers signed with the trading counterparts shall be confined primarily to the contract forms popularly used in the markets. The units concerned shall peruse the contents in detail. As necessary, for any specific contracts, the legal personnel shall examine the contents or consult with Attorney-at-Law for professional opinions before signing thereon.

2. Where the Company engages in transaction in derivative financial instruments, the personnel in charge of trading, confirmation and settlement shall not concurrently engage in such tasks among themselves.

3. Where the Company engages in transaction in derivative financial instruments, in terms of the consideration and measurement of the trading risks, the surveillance and control personnel shall come from the departments different from those personnel mentioned in the preceding Paragraph and shall report to the board of directors or to the high-ranking executives no in charge of trading or policymaking process of the positions.

4. Internal audit system:

The Company's internal auditors shall look into the appropriateness of the internal control system over transaction in derivative financial instruments on a regular basis and shall, on a monthly basis, audit the trading department regarding their compliance with the procedures of the transaction in derivative financial instruments to work out audit reports. Whenever a significant offense is noticed, they shall report to the Audit Committee in writing.

5. Method of evaluation on a regular basis and countermeasures against abnormalities, if any.

(1) The positions of the transaction in derivative financial instruments shall be

evaluated on a weekly basis as the minimum. In line with the business need, the hedging trading shall be evaluated twice per month as the minimum. The evaluation reports shall be submitted to the ranking department head as authorized by the board of directors.

- (2) The board of directors shall appoint high ranking department head(s) to closely watch the surveillance and control over the potential risks of transaction in derivative financial instruments and to, on a regular basis, evaluate the performance in transaction in derivative financial instruments to make sure whether the performance is consistent with the specified managerial strategies and whether the risks are within the scope tolerable to the Company.
- (3) The high ranking department head(s) designated by the board of directors shall evaluate on a regular basis whether the risk control measures currently adopted are adequate and whether they have been duly handled exactly in accordance with the Handling Regulations and these Procedures.
- (4) Amidst surveillance by the high ranking department head(s) authorized by the board of directors over the trading and profit and/or loss, whenever an abnormality is noticed, the high ranking department head(s) designated by the board of directors shall adopt countermeasures as necessary and report to the board of directors forthwith. Where the Company sets up independent directors, the board of directors meeting shall be attended by the independent director(s) to express opinions.
- (5) Where the Company engages in transaction in derivative financial instruments and where relevant personnel have been authorized to take charge of issues required under the Procedures, such personnel shall report the performance to the latest board of directors meeting afterwards.

Section 4 Corporate merger, demerger, acquisition and transfer of shares

Article 19 Where the Company is in such process of merger, demerger, acquisition and transfer of shares, the Company shall, before the board of directors meeting is convened, consult with the Certified Public Accountant, Attorney-at-Law or securities underwriters to listen to their expert opinions regarding rationality about the share swap ratio, acquisition prices, cash to be allocated to shareholders or other properties which shall be submitted to the board of directors for discussion and for resolution. The requirement of obtaining an aforementioned opinion on rationality issued by an expert may be exempted, nevertheless, in the case of a merger by the Company of a subsidiary in which it holds 100 percent of the issued shares or authorized capital either directly or indirectly or a case of merger by and among subsidiaries where the Company holds

100% of outstanding shares or total capital either directly or indirectly.

Article 20 Where the Company participates in merger, demerger, acquisition, the Company shall produce open documents with contents of the merger, demerger, acquisition and the relevant issues before the shareholders' meeting is convened. Such merger, demerger, acquisition papers shall be handed over to shareholders along with the aforementioned expert opinions as well as notices to the shareholders' meeting to be taken into reference regarding whether the shareholders agree to the merger, demerger, acquisition unless other laws specify that a shareholders' meeting is not required to be convened to discuss the merger, demerger, acquisition issues.

Where companies participate in merger, demerger, acquisition and where any one of the companies fails to convene a shareholders' meeting to resolve the decision about the merger, demerger, acquisition due to inadequate participants, inadequate voting powers or other legal restrictions, or fails to come to a decision, or where the issue for merger, demerger, acquisition is vetoed in the shareholders' meeting, the companies participating in the merger, demerger, acquisition shall immediately explain the reasons behind externally, the subsequent countermeasures and the date scheduled to convene the shareholders' meeting.

Article 21 Where companies participate in merger, demerger, acquisition, unless otherwise prescribed in law or except an extraordinary reason which has been reported to and approved by the Financial Supervisory Commission, the board of directors meeting and the shareholders' meeting shall be convened on the same day to resolve decisions regarding merger, demerger, acquisition.

Unless otherwise prescribed in law or except an extraordinary reason which has been reported to and approved by the Financial Supervisory Commission, all companies participating in the merger, demerger, acquisition process shall convene the board of directors meeting on a same day.

Where the Company participates in merger, demerger, acquisition and transfer of shares, the Company shall work out the following data into written records which shall be archived for five years ready for reference:

1. Fundamental particulars of personnel:

Including the position titles, names, identity certificate numbers (or passport numbers in case of a foreigner) of the personnel participating in implementation of the merger, demerger, acquisition and transfer of shares before such information is made public.

2. Dates of significant events:

The dates for such significant events and issues, including execution of Letter of Intent, memorandum, retaining of financial or legal consultants, execution of a contract, date where the board of directors meeting is scheduled to be convened.

3. Significant documents and minutes of meetings:

Regarding the plans, Letter of Intent or memorandum, significant contracts, minutes of board of directors meeting regarding merger, demerger, acquisition and transfer of shares.

The listed companies or companies with stocks traded in the premises of securities dealers that participate in the merger, demerger, acquisition and transfer of shares shall declare the information and data specified in Subparagraphs 1 and 2 of the preceding Paragraph to the Financial Supervisory Commission for information in the specified format or through Internet system within two days starting from the date on which the decision regarding merger, demerger, acquisition and transfer of shares is resolved in the board of directors.

Where a company participating in merger, demerger, acquisition and transfer of shares is not a listed company or a company with stocks traded in the premises of securities dealers, the listed companies or companies with stocks traded in the premises of securities dealers shall sign an accord in writing with that company and shall handle the issues in accordance with subparagraphs 3 and 4.

Article 22 All personnel participating in or aware of the plans about merger, demerger, acquisition and transfer of shares shall issue written commitment to non-disclosure obligation for confidentiality and shall not divulge the contents of the merger, demerger, acquisition and transfer of shares externally until such information is made public, nor shall they buy, sell all stocks or equity attributed negotiable securities of all companies involved in the merger, demerger, acquisition and transfer of shares in their own names or in the name of another .

Article 23 Where the Company participates in merger, demerger, acquisition and transfer of shares, the ratio of share swap or the acquisition prices shall not be changed without authority except a situation falling within those enumerated below. Besides, the terms of a potential change shall be expressly specified in the contract of merger, demerger, acquisition and transfer of shares:

1. In case of capital increase through cash injection, issuance of convertible corporate bonds, bonus share grants, issuance of corporate bonds with warrants, preferred shares with warrants, share subscription warrants and other negotiable securities attributed with equity..
2. An act to dispose of the Company's significant assets which would affect the

Company's financial conditions.

3. Occurrence of a significant calamity, a significant change in technology that would affect the Company's shareholders' equity or stock prices.
4. Where any party participating merger, demerger, acquisition and transfer of shares repurchases treasury stocks for adjustment.
5. In case of increase/decrease or change in the entities participating in the merger, demerger, acquisition and transfer of shares.
6. Where a change in other conditions as permitted, as expressly provided in the contract and such terms of change have been disclosed to public.

Article 24 Where the Company participates in merger, demerger, acquisition and transfer of shares, the contract shall expressly provide the rights & obligations of the companies participating in the merger, demerger, acquisition and transfer of shares and shall further expressly specify the following issues:

1. Measures against default, if any.
2. The principles to dispose of the equity attributed negotiable securities or repurchase of treasury stocks which have been issued by the company that becomes extinguished in a merger case or the company that is demerged in a demerger case.
3. The quantities of treasury stocks a participating company may repurchase after the base (reference) date scheduled for share swap and the principle of treatment.
4. The method to manage the increase/decrease change of the entities or number of the participants.
5. The progress of scheduled implementation of the plans, and the date scheduled to complete the implementation.
6. The date scheduled to convene a shareholders' meeting and such handling procedures according to law when the merger, demerger, acquisition and transfer of shares plan is not completed within the specified time limit.

Article 25 Where anyone among the companies participating in merger, demerger, acquisition and transfer of share intends to be in merger, demerger, acquisition and transfer of shares with another company after such information is made public, except an event where the number of the participating companies decreases and its shareholders' meeting has resolved to authorize the board of directors to change the powers & authorities, the participating companies are not required to convene a shareholders' meeting to resolve a decision anew. In the original plan of merger, demerger, acquisition and transfer of

shares, the procedures or legal acts having been completed shall be conducted by all participating contracted afresh.

Article 26 Where a company participating in the merger, demerger, acquisition and transfer of shares is not a listed public company, the publicly listed companies shall execute a contract with that company and proceed with the issue in accordance with Article 21, Article 22 and Article 25.

Chapter III Procedures for public announcement

Article 27 Where the Company meets a situation falling within those enumerated below in the process of acquisition & disposal of assets, the Company shall, in the format as attributed, announce such information to public through the website promulgated by the Financial Supervisory Commission within two days from date of occurrence of fact:

1. Where the Company acquires or disposes of real estate from a related party or acquires or disposes of assets other than real estate from a related party and where the amount of transaction is up to 20% of the Company's paid-in capital, 10% of the Company's total assets or exceeds NT\$300 million, except a transaction of government bonds, bonds with repurchase, resale, subscription to or repurchase of funds from domestic securities investment trust enterprises' money markets.
2. Where the Company engages in merger, demerger, acquisition and transfer of shares.
3. Where the loss in transaction in derivative financial instruments is up to the maximum limit under the overall contracts or individual contracts.
4. Where the type of asset acquired or disposed is machinery & equipment for business use and where the trading counterparty is not a related party, and the transaction amount meets any of the following criteria : :
 - (I) In case of a public company whose paid-in capital is less than NT\$10 billion and the transaction amount reaches NT\$500 million or more.
 - (II) In case of a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
5. Acquirement of real estate through delegated construction with own land, delegated construction with leased land, landowner/builder joint venture package to share, landowner/builder joint venture package for sale where the amount of transaction the Company is to invest is not beyond NT\$500 million.
6. Transaction in assets beyond those specified in the five preceding Paragraphs, dispose of creditor's right by the financial institution or investment in China,

where the amount of transaction is up to 20% of the Company's paid-in capital or exceeds NT\$300 million, except the events enumerated below:

- (1) Transaction on government bonds.
 - (2) Securities traded by investment professionals on foreign or domestic securities or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market.
 - (3) Trading of bonds under repurchase, resale, subscription to or redemption of funds from domestic securities investment trust enterprises' money markets.
1. Amount of each transaction case.
 2. Amount of transaction with acquisition & disposal of targets of the same attribute with a same counterpart in accumulation within one year.
 3. Amount of real estate case of development plan acquired or disposed (with acquisition & disposal to be accumulated respectively) of in accumulation within one year.
 4. Amount of negotiable securities acquired or disposed (with acquisition & disposal to be accumulated respectively) of in accumulation within one year.

The term "within one year" as set forth in the preceding Paragraph denotes the one-year period retrospectively prior to the date of occurrence of fact of acquirement of the transaction. The part having been put into public announcement under the Handling Regulations may no longer be counted.

The Company shall, on a monthly basis, input the transaction in derivative financial instruments engaged by the Company and the subsidiaries not listed publicly domestically as of the last day of the preceding month to the information declaration website promulgated by the Financial Supervisory Commission not later than the 10th of every month.

Where the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two (2) days counting inclusively from the date of knowing of such error or omission.

Where the Company acquires or disposes of assets, the Company shall prepare the relevant contracts, minutes, memorandum books, appraisal reports, expert opinions from Certified Public Accountant, Attorney-at-Law or securities underwriters and put them at the Company which shall be archived for a minimum of five years unless

otherwise prescribed by law.

Article 28 In case of a situation falling within those enumerated below after the Company announces the facts of transactions to public in accordance with the requirements set forth under the preceding Article, the Company shall announce such information to public through the website promulgated by the Financial Supervisory Commission within two days from date of occurrence of fact:

1. Where the contract executed for the original transaction is changed, terminated or rescinded.
2. Where the plan of merger, demerger, acquisition and transfer of shares is not accomplished on the date scheduled in the contract.
3. Where the contents of the prior public announcement are changed.

Article 29 Where a subsidiary of the Company is not a company listed publicly domestically where that subsidiary acquires or disposes of assets that call for public announcement in accordance with Article 27 or Article 28, that public announcement shall be conducted by the Company instead.

Where the subsidiary set forth under the preceding Paragraph is in the standards subject to public announcement in accordance with Paragraph 1, Article 27, up to 20% of the paid-in capital or 10% of the aggregate total assets, the Company's paid-in capital or aggregate total assets shall prevail.

Chapter IV Supplementary provisions

Article 30 Where the relevant staff members of the Company prove in violation of the requirements set forth under the Handling Regulations or these Procedures in acquisition or disposal of assets, the competent department head(s) or auditors shall immediately report such facts to the general manager or the board of directors. The general manager or the board of directors shall, in turn, impose penalty to such staff as the actual situations may justify.

Article 31 The Company shall duly enact the Procedures in accordance with the Handling Regulations. Such Procedures shall be subject to consent by over one-second of the all Committee members in entirety, submitted to and passed in the board of directors and to the shareholders' meeting for consent. This same provision is applicable *mutatis mutandis* to an event of amendment.

In the event that the issue mentioned in the preceding Paragraph is not consented by more than a half of the total Audit Committee members, the issue may be consented by two-thirds majority of all directors. Such fact shall be expressly recorded into the minutes of the Audit Committee meeting. The term "the total Audit Committee

members” as set forth herein denotes shall be calculated based on the total number of actual incumbent directors.

Where the Company has set up independent directors as required under the Securities and Exchange Act and where the issues mentioned in Paragraph 1 are submitted to the board of directors for discussion in accordance with Procedures for the Acquisition or Disposal of Assets, the voices of the independent directors shall be taken into adequate consideration. The objection or reserved opinion of an independent director, if any, shall be expressly entered into the minutes of the board of directors meeting.

Article 32 In case of a provision regarding 10% of the Company’s aggregate total assets, it shall be calculated based on the amount of the aggregate total assets of the latest individual or respective financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Where the Company’s stocks have no face amount or are in face amount not NT\$10 per value, the terms regarding the amount of transaction up to 20% of the paid-in capital shall be calculated at 10% of equity attributable to owners of the parent company.

Article 33 These Operating Procedures were duly enacted on June 11, 2012 and duly amended on May 22, 2013 as the 1st amendment, June 24, 2014 as the 2nd amendment and May 24, 2016 as the 3rd amendment. June 16, 2017 as the 4th amendment.

