

St.Shine Optical Co., Ltd.
Procedures for the Acquisition or Disposal of Assets

Article 1 Purpose

The Procedures are stipulated to strengthen the assets management, protect investments and substantiate information disclosure. The company acquires or disposal of assets should follow The Procedures.

Article 2 Law basis

The Procedures is subject to the provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" of the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter referred to as the FSC).

Article 3 Scope of assets

The scope of the assets referred to in the Procedures:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, and investment property) and equipment.
3. Memberships.
4. Intangible assets of patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law.
9. Other major assets.

Article 4 Terms are defined as follows

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index

of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to 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.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
8. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
9. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers

to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

10. All audit committee members and all directors: shall be counted as the actual number of persons currently holding those positions.

Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and

independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 6 With respect to the company's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution. If approval of one-half or more of all audit committee members as required is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Article 7 The limit of acquiring non-business real estate and securities

1. The limit of the company to acquire non-business real estate and securities:
 - (1) The total purchase of non-business real estate shall be no more than 20% net value of the Company.
 - (2) The total investment of securities shall be no more than 50% net value of the Company.
 - (3) The amount that is invested in an individual security shall be no more than 20% net value of the Company.
2. The limit of the company's subsidiaries to acquire non-business real estate and securities:
 - (1) The total purchase of non-business real estate shall be no more than 20% net value of that subsidiary.
 - (2) The total investment of securities shall be no more than 50% net value of that subsidiary.
 - (3) The amount that is invested in an individual security shall be no more than 20% net value of that subsidiary.
3. The quota of the company and its subsidiaries invested in the stock of listed companies shall follow the "Regulations Governing long-term and short-term investment" of the company.

Article 8 Appraisal and Operating procedures of the acquisition and disposal of securities.

1. Price determination method and reference basis

The company acquires or disposes of securities, it not only shall obtain the most recent period financial statements which shall be certified or reviewed by a certified public accountant (CPA) of the issuing company as reference for the appraisal of the transaction price, but also shall determine the transaction price according to the following condition:

- (1) For the acquisition or disposal of securities that are traded on a centralized exchange market or OTC exchange shall be determined by the market price.
- (2) For the acquisition or disposal of securities that are not traded on a centralized exchange market or OTC exchange shall be determined according to the net value per share, profitability, future development potential, market interest rate, bond coupon rate and debtor's credit, etc. and refer to the latest transaction price.

2. Appointment of the expert who provides opinions

For the acquiring or disposing of securities, where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall obtain a CPA opinion regarding the reasonableness of the transaction price prior to the date of occurrence of the event.

This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.

For the acquisition or disposal of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

3. Authorization quota and level

- (1) For the acquisition or disposal of securities that are traded on a centralized exchange market or OTC exchange, where the transaction amount below NT\$50 million, it should be submitted to the CEO and Chairman for approval; where the transaction amount above NT\$50 million, it should be submitted to the Board of Directors for approval.
- (2) For the acquisition or disposal of securities that are not traded on a centralized exchange market or OTC exchange shall be approved by the Board of Directors. But if the transaction amount under NT\$20 million, the Board of Directors might authorize the Chairman to approve first, and then submit to the Board of Directors for approval.

4. Executive units

The Company's executive units of operating of the acquiring or disposing of

securities is the Finance Department.

5. Transaction Flow

The Company's transaction flow of the acquiring or disposing of securities shall subject to the related provisions of the "Investment Cycle" of the company's internal control system.

Article 9 Appraisal and Operating procedures of the acquisition and disposal of Real Property, Equipment Assessment or Right-of-use assets.

1. Price determination method and reference basis

The company acquires or disposes of Real Property, Equipment Assessment or Right-of-use assets, shall be explained by the original use department or related responsible department, then the asset management department shall refer to the announced present value, the assessed value, the actual transaction price of the adjacent real estate, the recent transaction price of similar assets, etc., and choose one by means of price comparison, bargaining or bidding.

2. Appointment of the expert who provides opinions

In acquiring or disposing of real estate, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) If the transaction amount reaches NT\$1 billion or more, more than two professional appraisers should be invited to make an estimate.
- (3) Except when the valuation result of the acquired assets is higher than the transaction amount, or the valuation result of the disposal assets is lower than the transaction amount, if the valuation result of the professional appraiser has one of the following situations, the CPA should handle this and express specific opinions on the reasons for the differences and the admissibility of the transaction price:
 - 1) The difference between the valuation results and the transaction amount is

more than 20% of the transaction amount.

2) The difference between the valuation results of two or more professional appraisers is more than 10% of the transaction amount.

(4) The date of the report issued by the professional appraiser and the date of the establishment of the contract shall not exceed three months. However, if the present announced value of the same period is applied and it has not been more than six months, the original professional appraiser may issue an opinion.

For the acquisition or disposal of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report.

3. Authorization quota and level

In acquiring or disposing of real estate, equipment, or right-of-use assets, where the transaction amount under NT\$30 million shall submit for approval in accordance with the company's approved limits, where the transaction amount above NT\$30 million shall submit to the Board of Directors for approval.

4. Executive units

The Company's executive units of operating of the acquiring or disposing of real property, equipment, or right-of-use assets is the use department and related responsible department.

5. Transaction Flow

The Company's transaction flow of the acquiring or disposing of real property, equipment, or right-of-use assets shall subject to the related provisions of the "Fix Asset Cycle" of the company's internal control system.

Article 10 Appraisal and Operating procedures of the related party transactions

For acquiring or disposing of assets between the Company and its related parties, except in accordance with the provisions of the preceding section, for matters such as the relevant resolution procedures and evaluating the reasonableness of the terms of the transaction shall also be obtained in accordance with the provisions of the following requirements. If the transaction amount reaches more than 10% of the Company's total assets, the valuation report by a professional appraisers or CPA's opinion shall also be obtained in accordance with the provisions of the preceding section. When judging whether the transaction object is a related party, in addition to paying attention to its legal form, the substantive relationship should be considered.

1. The Company intends to acquire or dispose of real estate or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the

company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters in accordance with Article 6 of this procedure have been approved by the board of directors:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as the counterparty.
- (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with subparagraph 2 and 3 of Paragraph 1 of this Article.
- (4) The original acquiring date and price of the related party, the transaction object and its relationship with the Company and its related parties.
- (5) Expected forecast of cash receipts and payments for each month in the coming year starting from the contract month, and assess the necessity of the transaction and the rationality of the use of funds.
- (6) The valuation report issued by the professional appraiser obtained in accordance with the provisions of the preceding article, or the opinion of the CPA.
- (7) The restrictions and other important matters of this transaction.

With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the company's board of directors may pursuant to 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:

- (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (2) Acquisition or disposal of real estate right-of-use assets held for business use.

When a matter is submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

If the company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10

percent or more of the company's total assets, the company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the company and its parent company or subsidiaries or between its subsidiaries. The calculation of the transaction amounts referred to in paragraph 1 and the preceding paragraph shall be made in accordance with Article 15, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction, items that have been submitted and approved by the shareholders meeting in accordance with this procedure and the board of directors in accordance with Article 6 need not be counted toward the transaction amount.

2. The reasonable evaluation of the transaction costs

- (1) Acquiring real estate or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 - 1) Transaction price for a related party plus the necessary capital interest and the cost that the buyer should bear according to law. The so-called necessary capital interest cost is calculated based on the weighted average interest rate of the borrowings of the Company in the year of purchasing assets, but it shall not be higher than the non-financial industry maximum borrowing rate announced by the Ministry of Finance.
 - 2) If the related party has set the subject matter to the financial institution as collateral, the financial institution will estimate the total value of the loan to the subject matter, but the cumulative value of the actual loan lending by the financial institution to the subject matter shall reach more than 70% of the total value of the loan evaluation, and the loan period has been more than one year. However, if the financial institutions and one party to the transaction are related to each other, this is not applicable.
- (2) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the section 1.
- (3) Acquiring real estate or right-of-use assets thereof from a related party shall appraise the cost of the real estate or right-of-use assets thereof in accordance with the sections 1 and 2, also shall engage a CPA to check the appraisal and render a specific opinion.
- (4) Acquiring real estate or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the subparagraph 1 of paragraph 1 of this Article, and the

preceding three subparagraphs do not apply:

- 1) The related party acquired the real estate or right-of-use assets thereof through inheritance or as a gift.
 - 2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets thereof to the signing date for the current transaction.
 - 3) Acquiring real estate by signing a joint construction contract with a related party, or acquiring real estate by entrusting a related party to build real estate in the form of construction of local land and construction of land leases.
 - 4) The real estate right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.
3. When the results of the appraisal conducted in accordance with subparagraph 1 and 2 of the preceding paragraph are uniformly lower than the transaction price, the matter shall be handled in compliance with subparagraph 4 of paragraph 1 of this Article. But if the company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply. Completed transactions involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
4. Acquiring real estate or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with subparagraph 2 and 3 are uniformly lower than the transaction price; the following steps shall be taken:
- (1) The difference between the transaction price of the real estate or its right-to-use assets and the estimated cost, a special reserve shall be accrued in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act, and shall not be assigned or transferred to capital increase and share allotment. If the

investor who evaluates the investment in the Company using the equity method is the public Company, it shall accrue a special reserve according to shareholding ratio in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act.

(2) The Audit Committee shall be handled in accordance with Article 218 of the Company Act.

(3) Actions taken pursuant to the subparagraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

That has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

5. The company obtains real estate or right-of-use assets thereof from a related party; it shall also comply with the subparagraph 4 if there is other evidence indicating that the acquisition was not-an-arm's length transaction.

Article 11 Appraisal and Operating procedures of the acquisition and disposal of Intangible Assets

1. Price determination method and reference basis

For the acquiring or disposing of intangible assets shall consider the potential benefits in the future and market fair value, if necessary, shall also referred to the expert opinions, and negotiation with the counterparty.

2. Appointment of the expert who provides opinions

For the acquiring or disposing of intangible assets and memberships, where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, unless transacting with a domestic government agency, the company shall obtain a CPA opinion regarding the reasonableness of the transaction price prior to the date of occurrence of the event.

3. Authorization quota and level

For the acquiring or disposing of intangible assets, where the transaction amount under NT\$30 million shall submit for approval in accordance with the company's approved limits, and report to the nearest Board of Directors ,where the transaction amount above NT\$30 million shall submit to the Board of Directors for approval.

4. Executive units

The Company's executive units of operating of the acquiring or disposing of intangible assets is the use department and related responsible department.

5. Transaction Flow

The Company's transaction flow of the acquiring or disposing of intangible assets shall subject to the related provisions of the "Purchase and Payment Cycle" of the company's internal control system.

Article 12 Appraisal and Operating procedures of the acquisition and disposal of Claims of financial institutions

The Company shall not engage into a transaction of the acquiring or disposing of Claims of financial institutions in principle. If the company plans to engage into a transaction of the acquiring or disposing of Claims of financial institutions in the future, shall submit to the Board of Directors for approval, then stipulate the related appraisal and operating procedures.

Article 13 Appraisal and Operating procedures of the acquisition and disposal of the Derivatives

1. Trading Principles and Guidelines

(1) The types of derivatives

The Company engaging in derivatives trading shall according to its purposes divided into non-trading purpose (Hedging) and trading purpose (Trading).

The types of derivatives that can be traded by the company currently shall focus on avoiding the exchange rates and interest rates risks arising from the company's business operations, and the remaining derivatives shall be traded only after passing the resolution of the Board of Directors.

(2) Operating or hedging strategy

The Company engaging in derivatives trading shall strictly use for hedging purposes, trading shall focus on avoiding the risks arising from the company's business operations.

The transaction counterparty of the derivatives trading shall, based on the company's operating need, choose the better Financial Institutions to avoid the credit risks.

(3) Segregation of duties

The Company engaging in derivatives trading, each division's segregation of duties is list below:

- 1) Purchasing Department: Responsible for the formulation of operational strategies related to commodity futures trading, and carry out various transactions according to the authorized limits.
- 2) Finance Department: Responsible for the formulation of operational strategies related to all derivatives trading except commodity futures trading, and carry out various transactions according to the authorized limits.
- 3) Accounting Department: Responsible for the bookkeeping of the derivatives trading, preparing the accounting statement, and summarizing data regularly.
- 4) Audit Division: Understand the property of the internal control of segregation of duties and operating procedure, and audit the compliance of the transaction division with this procedure.

The Company engaging in derivatives trading, if the purpose is for non-trading (Hedging), the transaction shall follow the authorized limits as below:

Level	Each Contract Amount	Accumulated Net Position
Board of directors	More than US\$1.5 million	More than US\$10 million
Chairman approved then submit to the Board of directors for approved	US\$1.01 ~ 1.5 million (inclusive)	US\$5.01 ~ 10 million (inclusive)
Chairman	Less than US\$1 million (inclusive)	Less than US\$5 million (inclusive)

The Company engaging in derivatives trading, if the purpose is for trading, each transaction shall approve by the Board of directors first.

(4) Performance evaluation

- 1) Non-trading (Hedging) derivatives: According to the types of derivatives, the finance department shall compare the realized net position after the close of each contract maturity day as the base of the performance evaluation, and then compare with the cost to evaluate the performance of profit and loss and periodically review and submit it to the chairman for approval.
- 2) Trading derivatives: The finance department shall evaluate the

performance of the realized position based on the actual profit and loss, and according to the daily closing price, the net profit and loss and total amount of open positions are liquidated on a daily basis as the reference for the performance evaluation of the unrealized position.

(5) Total amount of the contract

The company's total contract amount of the Non-trading (Hedging) derivatives transaction shall not exceed the actual business requirement; total contract amount of the Trading derivatives transaction shall limit to 20% of the company's net value.

(6) Loss limit

- 1) The purpose of the Non-trading (Hedging) derivatives transaction is to avoid the risk; therefore it's not necessary to set the loss limit.
- 2) After set the position of the trading derivatives transaction, it shall set the stop loss point to avoid the extra loss, and the stop loss point shall not exceed 3% of the total contract amount; if the total loss mount exceed the 3% of the total contract amount, it should report to the CEO and Chairman immediately, and report to the Board of Directors, discussing the necessary corresponding measures.
- 3) The operation of the company's trading derivatives; maximum annual loss limit is US\$300 thousand.

2. Risk management measures

(1) Scope of risk management

- 1) Credit risk management: The trade counterparty shall be the good credit domestic or international financial institutions that can offer professional information in principle. The finance manager should responsible in controlling the trading quota of the correspondent financial institutions, can't over centralized, and according to the variation of the market price, adjust the trading quota of the correspondent financial institutions anytime.
- 2) Market risk management: Choose the market with the full opened quotation information.
- 3) Liquidity risk management: To ensure the liquidity, the financial institutions that trade with the company must have sufficient equipment, information and trading capabilities, and can trade in any market.
- 4) Cash flow risk management: To ensure the stability of the turnover of the company's working capital, the source of the company's capital which engaged in derivatives trading shall only use from its owned capital, and the trading amount shall consider the capital requirement of

the forecast of cash receipt and disbursement for the next 3 months.

- 5) Operational risk management: The authorization quota, operation process and other regulations formulated by the company must be strictly observed to avoid the operational risk.
- 6) Legal risk management: The document signed with the financial institutions must be prior reviewed by legal personnel, and then can be formally signed to avoid the legal risk.

- (2) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- (3) Risk measurement, supervision and control personnel shall be in different departments from those mentioned above and shall report to the Board of Directors or the senior executives who are not responsible for the transaction or position decision-making.
- (4) The position held of the derivatives shall be evaluated periodically in accordance with subparagraph 4 (1) of paragraph 1 of this article.

3. Internal Audit System

The internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adhere to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the audit committee shall be notified in writing.

4. Regular evaluation methods and exception handling

- (1) The position held by the derivatives shall be assessed at least once a week, but if the hedging transaction required for the business is to be assessed at least twice a month, the evaluation report shall be submitted to the senior executive authorized by the Board of Directors.
- (2) The Board of Directors shall authorize the senior executives regularly supervise and evaluate whether the risk management measures currently in use are appropriate, whether the operation of the derivatives trading is in accordance with the regulations, whether the performance of the derivatives trading is in conformity with the established business strategy and whether the risks assumed are within the allowable range. When an abnormal situation is found, the senior executives shall take the necessary countermeasures and report to the Board of Directors immediately.

5. Supervision of the Board of Directors

- (1) The Company engaging in derivatives trading, the Board of Directors shall supervise as below:

- 1) Appointing senior executives to pay attention to the supervision and control of the risk of derivative trading at all times.
 - 2) Regularly assess whether the performance of the derivative trading is in conformity with the established business strategy and whether the risks assumed are within the allowable range.
- (2) The senior executives authorized by the Board of Directors shall conduct the derivatives trading as below:
- 1) Regularly supervise and evaluate whether the risk management measures currently in use are appropriate, and indeed follow the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" of FSC and these procedures.
 - 2) Regularly assess whether the performance of the derivative trading is in conformity with the established business strategy and whether the risks assumed are within the allowable range.
- (3) The Company engaging in derivatives trading and authorizing relevant personnel to handle them in accordance with the provisions of the procedure, it shall report to the most recent Board of Directors afterwards.
6. The Company engaging in derivatives trading shall establish a log book in which details of the type and amount of the derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under section 4 (1), 5 (1) 2 and 5 (2) 1 of paragraph 1 of this article shall be recorded in the log book for future reference.

Article 14 Appraisal and Operating procedures of conducting mergers, demergers, acquisitions or transfer of shares

1. Consideration determination method and reference basis

The company conducts a merger, demerger, acquisition, or transfer of shares shall consider the past and future finance and business condition of the participating company, predict the future benefits, the fair way of the market to determine the price, also consults the professional opinions of the CPA, attorney, or securities underwriter, and negotiate the price with the counterparty which participating in mergers, demergers, acquisitions or transfer of shares.

2. Appointment of the expert who provides opinions

The company conducts a merger, demerger, acquisition, or transfer of shares shall appoint the CPA, attorney, or securities underwriter to express opinions on the reasonableness of the share conversion ratio, the purchase price or the cash allotted to shareholders or other property before the resolution of the

Board of Directors, and submit it to the Board of Directors for discussion and approval. However, when the Company merges a subsidiary where it directly or indirectly holds 100% of the issued shares or total capital, or a merger between the subsidiaries that it directly or indirectly holds 100% of the issued shares or total capital, it is exempted from obtaining reasonable opinions from the former experts.

3. Decision level

The company conducts a merger, demerger, acquisition, or transfer of shares, all resolutions shall be handles in accordance with the provisions of the Company Law and relevant laws and regulations.

4. Submit the relevant information and disclosure of relevant information when it is not possible to be approved at the shareholders' meeting

(1) The company conducts a merger, demerger, acquisition, before the shareholders' meeting, shall provide important agreed contents about the merger, division or acquisition and related matters into public documents to the shareholders, together with the expert opinions under section 2, paragraph 1 of this article and the notice of the shareholders' meeting, delivered to the shareholders as a reference for whether or not to agree to the merger, demerger or acquisition. However, in accordance with other laws and regulations, if it is not necessary to convene the shareholders' meeting to discuss mergers, demerger or acquisitions, then this is not the case.

(2) Where the shareholders meeting of any one of the companies participating in a merger, division, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

5. The date of convene the Board of Director meeting and the Shareholders meeting

(1) The company conducts a merger, demerger, or acquisition, unless otherwise stipulated by other laws or with special factors approved by the FSC beforehand, shall convene a board of directors meeting and a shareholders meeting on the same day with the company involved in the merger, demerger, or acquisition, and make a resolution on the merger, demerger, or acquisition.

(2) The company conducts the transfer of shares, unless otherwise stipulated by

other laws or with special factors approved by the FSC beforehand, shall convene a board of directors meeting on the same day with the company involved in the transfer of shares.

- (3) The company participating in a merger, demerger, acquisition, or the transfer of shares, the following information shall be recorded completely and kept for five years for verification:
- 1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 - 2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
 - 3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
- (4) The information of 1) and 2) of the preceding subparagraph, shall report in the prescribed format via the online information collection system for FSC's reference within 2 days from the date of the resolution of the Board of Directors.

6. Confidentiality obligations and avoidance of insider transactions

All persons who participate in or are aware of the company's merger, demerger, acquisition, or share transfer plan shall issue a written confidentiality undertaking, and the contents of the plan shall not be disclosed before the information is disclosed. They also may not buy or sell stocks of all companies related to merger, demerger, acquisition, or share transfer cases and other securities of an equity nature on their own or in the name of others.

7. The change principle of the share exchange ratio and acquisition price

The company participating in a merger, demerger, acquisition, or the transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, division, acquisition, or transfer of shares:

- (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants,

preferred shares with warrants, stock warrants, or other equity based securities.

- (2) An action, such as a disposal of major assets that affects the company's financial operations.
 - (3) An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
 - (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 - (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
8. The information shall be recorded in the contract
- The company participating in a merger, demerger, acquisition, or the transfer of shares, the contract shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
- (1) Handling of breach of contract.
 - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - (4) The manner of handling changes in the number of participating entities or companies.
 - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
 - (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
9. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's

shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

10. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of subparagraph 5, 6, and 9 of paragraph 1 of this article.

Article 15 Public announcement and regulatory filing procedures

1. Under any of the following circumstances, the company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:
 - (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under re-purchase and re-sale agreements, or subscription or redemption of domestic money market funds.
 - (2) Merger, demerger, acquisition, or transfer of shares.
 - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
 - (4) Where an asset transaction other than any of those referred to in the preceding (1) to (3) paragraphs or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - 1) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
 - 2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption

of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

- 3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
- 4) Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount not reaches NT\$500 million or more.

The amount of transactions above shall be calculated as follows:

- (1) The amount of any individual transaction.
- (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding section refers to the year preceding the date of occurrence of the current transaction. Items duly announced need not be counted toward the transaction amount.

2. The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC before the 10th day of each month.
3. When 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.
4. The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years

except where another act provides otherwise.

5. After the Company announces the transaction in accordance with the preceding sections, if one of the following circumstances occurs, the Company shall, within two days from the date of the fact, report the relevant information on the designated website of the FSC:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.
6. Information required be publicly announcing and reporting in accordance with the provisions of this article on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets of the company shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory.
7. For the 10 % of total assets under these Regulations, the calculation of total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 16 Control procedures for the acquisition and disposal of assets by subsidiaries

1. The Company shall supervise the subsidiaries to prepare their Procedures for the Acquisition or Disposal of Assets in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" of FSC, after approval by the Board of Directors, it shall submit to the shareholders' meeting for approval, and the same applies when the procedures are amended
2. The subsidiaries acquire or dispose of assets, in accordance with the "Procedures for the Acquisition or Disposal of Assets" or other laws that approved by the board of directors, shall report to the Company before the occurrence of the facts. The finance department and relevant departments shall evaluate the possibility, necessity, and reasonable of that acquiring or disposing of assets transaction, and follow up on the implementation status and conduct analysis and review after the transaction.
3. The internal audit personnel of the company shall periodically audit on how the subsidiaries adhere to the "Procedures for the Acquisition or Disposal of

Assets”, and prepare an audit report. After report the finding and recommendation in the audit report, it shall notice all the subsidiaries which had been audited to modify, and make a tracking report periodically to ensure the subsidiaries already take appropriate improvement measures on time.

Article 17 Penalties

If the relevant personnel of the Company conduct the acquisition or disposal of assets violate the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" of FSC or the “Procedures for the Acquisition or Disposal of Assets” of the company shall be punished according to the company's relevant regulations.

Article 18 Practice

The procedure shall be approved by more than one-half of all members of the Audit Committee, and shall be submitted to the shareholders' meeting for approval after the resolution of the Board of Directors. It is the same case for amendments.

If a director expresses objection and has a record or written statement, the Company shall send the director's objection information to the audit committee.

When the Procedures for the Acquisition or Disposal of Assets are submitted to the Board of Directors for discussion in accordance with the provisions above, the opinions of the independent directors should be fully considered. If the independent directors have objections or reservations, they should be stated in the minutes of the Board of Directors.

If it is not possible to have the consent of more than one-half of all members of the Audit Committee in accordance with the procedure, more than two-thirds of all directors may agree to do so, and the resolutions of the Audit Committee shall be stated in the minutes of the Board of Directors.