

Catcher Technology Co., Ltd.

Procedures Governing the Acquisition and Disposal of Assets

Article 1 Purpose and Legal Basis

To strengthen asset management and fulfill information disclosure, the Company has hereby formulated these Procedures pursuant to Article 36-1 of the Securities and Exchange Act and relevant provisions of the competent authorities.

Article 2 Scope of Assets

- I. 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.
- II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

Article 3 Definition of Terms

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, with the value thereof 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.
- II. 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.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. 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.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of the Board’s resolutions, or

other date that confirms 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.

- VI. 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.
- VII. 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.
- VIII. 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.

Article 4 The Amount of Investment in Real Property Not for Business Use and Securities
The amount for the Company and its subsidiaries to acquire the above assets individually is set as follows:

- I. The aggregate amount of investment in real property not for business use shall not exceed 30 percent of the Company’s net worth.
- II. The aggregate amount of investment in securities shall not exceed two times the shareholders’ equity of the Company as stated in the most recent financial report, and shall not exceed three times the shareholders’ equity of its subsidiaries.
- III. The amount of investment in individual securities shall not exceed 50 percent of the shareholders’ equity of the Company, and shall not exceed two times the shareholders’ equity of its subsidiaries.

Article 5 Professional Appraisers and Their Officers, Certified Public Accountants, Attorneys, and Securities Underwriters that Provide the Company with Appraisal Reports, Opinions of Certified Public Accountants, Opinions of Attorneys, or Opinions of Underwriters Shall Meet the Following Requirements:

- I. Shall not have previously received a final and unappeasable sentence to imprisonment for one year or longer for a violation of the Securities and Exchange 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 three 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.
- II. Shall not be a related party or de facto related party of any party to the transaction.
- III. 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:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to make conclusions and apply the conclusion as the basis for issuing reports or providing opinions. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake item-by-item evaluations of the appropriateness and rationality of the sources of data used, the parameters, and the information, as the basis for issuing the appraisal reports or providing the opinions.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepare the reports or opinions, 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 Procedures for Acquisition or Disposal of Real Property, Equipment or the Right-of-Use Assets Thereof

- I. Evaluation and operational procedures
The Company shall acquire or dispose of real property, equipment or the right-of-use assets thereof in accordance with the prescribed fixed asset lifecycle under its internal control system.
- II. Procedures for determining the terms of transactions and authorized amount
 - (I) When acquiring or disposing of real property or the right-of-use assets thereof, the Company shall refer to the publicly announced current value, the appraised value, the actual transaction price of the neighboring real property, and so forth, to determine the terms and price of transactions, and shall submit an analysis report to the Chairman. Where the transaction amount stands below 10 percent of the Company's paid-in capital, the transaction shall be approved by the Chairman and shall be reported at the next Board meeting for filing. Where the transaction amount exceeds 10 percent of the Company's paid-in capital, the transaction shall be approved by the Board.
 - (II) The Company shall acquire or dispose of equipment through price inquiry, price comparison, negotiation or bidding. Where the transaction amount stands below 10 percent of the Company's paid-in capital, the transaction shall be approved step by step in accordance with the authorization procedures. Where the transaction amount exceeds 10 percent of the Company's paid-in capital, the transaction shall be approved by the Chairman and then submitted to the Board for approval.
 - (III) Where the Company acquires or disposes of assets that shall be approved by the Board in accordance with the prescribed procedures or other laws, any directors express dissent, and which is recorded or stated in written form, the Company shall submit the dissenting opinions to the Audit Committee. Where the Company has appointed independent directors and submits the transactions of acquisition or disposal of assets to the

Board for discussion, it shall take into full consideration each independent director's assenting or dissenting opinions, and include the rationality thereof in the meeting minutes of the Board.

III. Implementation unit

Where the Company acquires or disposes of real property, equipment or the right-of-use assets thereof, it shall be approved in accordance with the procedures as prescribed in the preceding paragraph and implemented by the relevant competent unit.

IV. Appraisal reports on real property, equipment or the right-of-use assets thereof

When acquiring or disposing of real property, equipment, or the right-of-use assets thereof, where the transaction amount reaches 20 percent 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 held for business use or the right-of-use assets thereof, 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:

- (I) 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; the same procedure shall also be followed whenever there is any subsequent change to the terms of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the appraisal results issued by a professional appraiser, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion with respect to the reason for the discrepancy and the appropriateness of the transaction price:
 - 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) The date that a professional appraiser issues a report and the date of concluding a contract shall not exceed three months; provided, where a publicly announced current value as of the same period is used for both issuing the appraisal report and concluding the contract, and the date of issuing the appraisal report and the date of concluding the contract does not exceed six months, an opinion may still be issued by the original professional appraiser.
- (V) Where the Company acquires or disposes of assets through court auction or other legal auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or opinion of a

certificated public accountant.

- (VI) The calculation of the transaction amount referred to in this Article shall be made pursuant to the provision of subparagraph 8, paragraph 1 of Article 13 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. The transaction amount on which appraisal reports issued by professional appraisers or opinions of certified public accountants have been obtained, in accordance with these Procedures, need not be taken into consideration.

Article 7 Procedures for Acquisition or Disposal of Securities Investment

I. Evaluation and operational procedures

The Company shall purchase and sell securities in accordance with the investment lifecycle under its internal control system.

II. Procedures for determining the terms of transactions

- (I) The purchase and sale of securities in the centralized exchange market or the business premises of securities firms shall be decided by the unit in charge in accordance with market conditions. Where the transaction amount stands below 20 percent of the Company’s paid-in capital, it shall be submitted to the Chairman for approval and shall be reported at the next board meeting for filing, and an analysis report on unrealized gains or losses shall be prepared. Where the transaction amount exceeds 20 percent of the Company’s paid-in capital, it shall be submitted to the Board for approval.

- (II) For the purchase and sale of securities not in the centralized exchange market or the business premises of securities firms, the Company shall obtain the targets’ financial statements for the most recent period, certified or reviewed by certified public accountants, as a reference for evaluating the transaction prices, while taking into consideration the targets’ book value per share, profitability, potential for future development, and so forth. Where the transaction amount stands below 20 percent of the Company’s paid-in capital, it shall be approved by the Chairman and shall be reported at the next board meeting for filing, with an analysis report on unrealized gains or losses prepared. Where the transaction amount exceeds 20 percent of the Company’s paid-in capital, it shall be approved by the Board.

- (III) Where the Company acquires or disposes of assets that shall be approved by the Board pursuant to the prescribed procedures or other laws, any director expresses dissent and which is recorded or stated in written form, the Company shall submit the dissenting opinions to the Audit Committee. Where the Company has appointed independent directors and reports the transactions of acquiring or disposing of assets to the Board, it shall take into full consideration each independent director’s assenting or dissenting opinions, and include the rationality thereof in the meeting minutes of the Board.

III. Implementation unit

The Company’s securities investment shall be approved in accordance with the

procedures as prescribed in the preceding paragraph and implemented by the relevant competent unit.

IV. Professional opinions

- (I) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the target company for the most recent period, certified or reviewed by certified public accountants, as a reference for calculation of the transaction price. If the dollar amount of the transaction reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion with respect to the rationality of the transaction price. This requirement does not apply, however, to the securities traded in an active market with publicly quoted prices, or where otherwise prescribed by the Financial Supervisory Commission (FSC).
- (II) Where the Company acquires or disposes of assets through court auctions, the evidentiary documents issued by the court may be substituted for the appraisal reports or opinions of certified public accountants.
- (III) The calculation of the transaction amount referred to in this Article shall be made in accordance with the provision of subparagraph 8, paragraph 1 of Article 13 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. The transaction amount on which appraisal reports issued by professional appraisers or opinions of certified public accountants have been obtained, in accordance with these Procedures, need not be taken into consideration.

Article 8 Procedures for Acquisition or Disposal of Real Property or the Right-of-Use Assets thereof from or to A Related Party, or Acquisition or Disposal of Assets Other Than Real Property or the Right-of-Use Assets thereof from or to A Related Party

- I. Where the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the pertinent resolutions are adopted and the rationality of the transaction terms is evaluated, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain appraisal reports from professional appraisers or opinions of certified public accountants in compliance with the procedures for acquisition of real property as prescribed in Article 6 and this Article. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall be taken into consideration.
- II. Evaluation and operational procedures
When the Company intends to acquire or dispose of real property or the right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or the right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of its total assets, or NT\$300 million or more, except in trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption

of money market funds issued by domestic securities investment trust firms, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board and recognized by the Audit Committee:

- (I) The purpose, necessity and expected benefits of the acquisition or disposal of assets.
- (II) The reason for selecting the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or the right-of-use assets thereof from a related party, information with respect to appraisal of the rationality of the preliminary transaction terms in accordance with subparagraph 1 and subparagraph 4, paragraph 3 of this Article.
- (IV) The original date and price at which the related party acquired the real property, the original transaction counterparty, and the original transaction counterparty's relationship to the Company and to the related party, and so forth.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing the contract, and evaluation of the necessity of the transaction and rationality of the funds utilized.
- (VI) Appraisal reports from professional appraisers or opinions from certified public accountants obtained in compliance with the preceding article.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

Where the Company conducts the following transactions with its subsidiaries, or its subsidiaries of which the Company directly or indirectly holds 100 percent of the issued shares conduct the following transactions with each other, the Board may pursuant to paragraph 2 of this Article and delegate the Chairman to determine such matters when the transaction is within a certain amount, and have the decisions subsequently submitted to and ratified by the next Board meeting:

- (I) Acquisition or disposal of equipment or the right-of-use assets thereof held for business use.
- (II) Acquisition or disposal of the right-of-use assets of real property held for business use.

Where the Company has appointed independent directors pursuant to the Securities and Exchange Act and has submitted the transactions of acquisition or disposal of assets to the Board for discussion, it shall take into full consideration each independent director's opinions. Where an independent director objects to or expresses reservations about any matter, it shall be recorded in the meeting minutes of the Board.

Where the Audit Committee has been established pursuant to relevant provisions, the transactions shall be approved by one-half or more of all members of the Audit Committee and shall be submitted to the Board for resolution. If not approved by one-half or more of all members of the Audit Committee, the transactions may be proceeded with the consent of two-thirds or more of all directors. The resolution of the Audit Committee shall be specified in the meeting minutes of the Board.

The terms "all members of the Audit Committee" and "all directors" prescribed

in the preceding paragraph shall be counted based on actual incumbent.

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction as prescribed in paragraph 1 with the transaction amount exceeding 10 percent of the Company's total assets, the Company shall submit the materials as stipulated in all subparagraphs of paragraph 1 to the shareholders' meeting for approval before entering into a transaction contract and making any payment. This restriction, however, does not apply to transactions between the Company and its subsidiaries or between its subsidiaries.

- (I) The transaction amount as referred to in paragraph 1 and the preceding paragraph shall be calculated pursuant to the provision of subparagraph 8, paragraph 1 of Article 13 herein, 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 approved by the shareholders' meeting or the Board and recognized by the Audit Committee need not be counted toward the transaction amount.

III. Evaluation of the rationality of transaction costs

- (I) The Company that acquires real property or the right-of-use assets thereof from a related party shall evaluate the rationality of the transaction costs by the following means:
 - 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as collateral for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the duration of the loan shall have been 1 year or more. This, however, shall not apply where the financial institution is a related party of one of the transaction counterparties.
- (II) 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 as prescribed in the preceding subparagraph.
- (III) The Company that acquires real property or the right-of-use assets thereof from a related party shall appraise the cost of the real property or the right-of-use assets thereof in accordance with subparagraph 1 and 2, paragraph 3 of this Article, and shall also engage a certified public accountant to review the appraisal and render a specific opinion.
- (IV) Where the Company's evaluation results derived in accordance with subparagraph 1 and 2, paragraph 3 of this Article are uniformly lower than the transaction price, the transaction shall be handled pursuant to

subparagraph 5, paragraph 3 of this Article. However, where the following circumstances exist, supported by objective evidences and with opinions respect to rationality provided by professional real property appraisers and certified public accountants, the aforesaid provision shall not apply:

1. Where the related party acquires undeveloped land or leases land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where the undeveloped land is appraised in accordance with the methods as prescribed in the preceding Article, and the structures are appraised pursuant to the related party's construction cost plus reasonable construction profits, the combined value exceeds the actual transaction price. The "reasonable construction profit" shall refer to the average gross operating profit margin for the construction division of the related party over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring areas, where the land parcel is of similar space and the transactions are of similar terms after evaluating the floor or land prices in accordance with the reasonable property transaction prices or leasing practices.
2. Where the Company acquires real property, or obtains real property right-of-use assets through leasing from a related party, it shall prove that the terms of the transaction are similar to the terms of completed transactions involving the adjacent areas by unrelated parties within the preceding year.

"Completed transactions involving neighboring areas" as aforesaid in principle refer to parcels on the same or an adjacent block and within a distance of no more than 500 kilometers, or parcels with similar publicly announced current value. Transactions involving parcels of "similar size" in principle refer to transactions completed by unrelated parties for parcels with a space of no less than 50 percent of the property in the planned transaction. "Within the preceding year" as aforesaid 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.
- (V) Where the Company acquires real property or the right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with subparagraph 1 and 2, paragraph 3 of this Article are uniformly lower than the transaction price, the following steps shall be taken. In addition, the Company and where a public company uses the equity method to account for its investment in the Company that have set

aside a special reserve as aforesaid may not utilize the special reserve until losses resulting from the assets purchased or leased at a premium have been recognized, or the assets 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.

1. A special reserve shall be set aside by the Company in accordance with paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of the real property or the right-of-use assets thereof, and shall not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in the Company, a special reserve pursuant to paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the public company's equity stake in the Company.
 2. The Audit Committee shall comply with Article 218 of the Company Act.
 3. Actions taken pursuant to item 1 and 2, subparagraph 5, paragraph 3 of this Article shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (VI) Where the Company acquires real property or the 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 provisions of paragraph 1 and 2 of this Article with respect to evaluation and operational procedures; the provisions of subparagraph 1, 2 and 3, paragraph 3 of this Article with respect to the rationality of transaction costs shall not apply:
1. The related party acquired the real property or the 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 property or the right-of-use assets thereof to the signing date for the current transaction.
 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
 4. The real property 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 percent of the issued shares or authorized capital.
- (VII) Where the Company acquires real property or the right-of-use assets thereof from a related party, it shall also comply with subparagraph 5, paragraph 3 of this Article if there are evidences indicating that the

acquisition was not an arm's length transaction.

Article 9 Procedures for Acquisition or Disposal of Memberships, Intangible Assets or the Right-of-Use Assets Thereof

I. Evaluation and operational procedures

The Company shall handle the acquisition or disposal of memberships, intangible assets or the right-of-use assets thereof in accordance with the prescribed fixed asset lifecycle under its internal control system.

II. Procedures for determining the terms and conditions of transactions and authorized amounts

(I) The acquisition or disposal of memberships shall refer to the fair market value to determine the terms and conditions of transactions and transaction prices, with analysis reports submitted to the Chairman. Where the transaction amount stands below 1 percent of the Company's paid-in capital, the transaction shall be approved by the Chairman and shall be reported at the next Board meeting. Where the transaction amount exceeds 1 percent of the Company's paid-in capital, the transaction shall be approved by the Board.

(II) The acquisition or disposal of intangible assets or the right-of-use assets thereof shall refer to professional appraisal reports or the fair market value to determine the terms and conditions of transaction and transaction prices, with analysis reports submitted to the Chairman. Where the transaction amount stands below 10 percent of the Company's paid-in capital, the transaction shall be approved by the Chairman and shall be reported at the next Board meeting. Where the transaction amount exceeds 10 percent of the Company's paid-in capital, the transaction shall be approved by the Board.

(III) Where the Company acquires or disposes of assets that shall be approved by the Board in accordance with the prescribed procedures or other laws, any directors express dissent, and which is recorded or stated in written form, the Company shall submit the dissenting opinions to the Audit Committee. Where the Company has appointed independent directors and submitted the transactions of acquisition or disposal of assets to the Board for discussion, it shall take into full consideration each independent director's assenting or dissenting opinions, and include the rationality thereof in the meeting minutes of the Board.

III. Implementation unit

Where the Company acquires or disposes of memberships, intangible assets or the right-of-use assets thereof, the transaction shall be submitted to and approved by the approval authorities as prescribed in the preceding paragraph, and implemented by the user departments and relevant competent units.

IV. Professional opinions on memberships, intangible assets or the right-of-use assets thereof

(I) Where the Company acquires or disposes of memberships, intangible assets or the right-of-use assets thereof and the transaction amount reaches 20 percent or more of its paid-in capital or NT\$300 million or more, unless transacting with a domestic government agency, the Company shall engage a certified public accountant prior to the date of

occurrence of the event to obtain an opinion on the rationality of the transaction price.

- (II) The transaction amount referred to in this Article shall be calculated in accordance with the provision of subparagraph 8, paragraph 1 of Article 13 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. The transaction amount on which appraisal reports issued by professional appraisers or opinions of certified public accountants have been obtained, in accordance with these Procedures, need not be taken into consideration.

Article 10 Procedures for Acquisition or Disposal of Claims of Financial Institutions

In principle, the Company does not intend to engage in transactions with respect to the acquisition or disposal of claims of financial institutions. Where the Company wishes to engage in transactions of acquiring or disposing of claims of financial institutions, it shall be approved by the Board before formulating its assessment and operational procedures.

Article 11 Procedures for Acquisition or Disposal of Derivatives

I. Trading principles and strategies

(I) Types of transactions

1. Financial derivatives products engaged in by the Company refer to trading contracts, of which the underlying value is derived from specific interest rates, financial instrument prices, commodity prices, foreign exchange rates, price or rate index, credit rating or credit index, or other variables (such as forwards, options, futures, interest rate or exchange rate swaps, as well as combinations of such contracts, or structured contracts or products with embedded derivatives).
2. Matters related to bond margin trading shall be handled in accordance with relevant provisions of these Procedures. These Procedures may not apply to bond transactions with repurchase agreement.

(II) Operating (hedging) strategies

Derivatives trading shall be conducted with an aim to ensure the Company’s operating profits while preventing risks from arising amid fluctuations in foreign exchange rate, interest rates or asset prices, rather than speculation.

(III) Segregation of duties

1. Personnel engaged in derivatives trading shall not serve concurrently in other operations such as confirmation and settlement.

2. Approval authorities

A. Approval authorities

Authorized Personnel	Daily Trading Permissions
Head of Finance & Accounting	US\$2M or less
General Manager	US\$2M above-10M (including)
Chairman	More than US\$10M

- B.** Other special purpose transactions shall be submitted to the Board for approval before proceeding.

- C.** Where the Company acquires or disposes of assets that shall be

approved by the Board in accordance with the prescribed procedures or other laws, any directors express dissent, and which is recorded or stated in written form, the Company shall submit the dissenting opinions to the Audit Committee. Where the Company has appointed independent directors and submits the transactions of acquisition or disposal of assets to the Board for discussion, it shall take into full consideration each independent director's assenting or dissenting opinions, and include the rationality thereof in the meeting minutes of the Board.

II. Audit Department

The Company's internal audit personnel shall be responsible for the determination of the suitability of internal controls on derivatives and conduct an audit of how faithfully derivatives trading by the Trading Department adheres to the procedures for engaging in derivatives trading, analyze the trading cycle, and prepare an audit report. When any material violation is discovered, or the Company is at risk of major loss, the internal audit personnel shall immediately prepare and submit a report to notify the Audit Committee.

III. Performance evaluation

(I) Hedging transactions

1. The performance evaluation shall be conducted based on the Company's foreign exchange cost as recorded and the profit or loss resulting from financial derivatives transactions.
2. The Company shall assess profit and loss on a monthly basis in order to fully track and express the valuation risks of transactions.
3. The Finance Department shall provide information related to the valuation of the Company's foreign exchange positions as well as analysis on the foreign exchange market trend to the management for managerial reference and further instructions.

(II) Transactions for specific purpose

The performance of transactions for specific purpose shall be evaluated based on the actual profit or loss incurred, and the Finance Department shall regularly prepare a report on relevant positions for managerial reference.

IV. Determination of total contract amount and maximum loss limit

(I) Total amount of contracts

Type of Contract	Transactions not for Trading Purpose	Transactions for Trading Purpose
Total contract amount (as a percentage of annual revenue)	100%	30%
Maximum loss limit for all contracts	100%	15%
Maximum loss limit for single contracts	100%	15%

1. Transactions not for trading purpose

The Finance Department shall keep track on the Company's overall positions to prevent transaction risks. Where the transaction amount

exceeds the amount as prescribed in the above table, the Company shall convene relevant personnel for further review.

2. Transactions for trading purpose

The Finance Department may formulate strategies as needed based on its forecasts of market movement, and submit reports to management and the Board for approval before proceeding. Where the transaction amount exceeds the amount as prescribed in the above table, the Company shall convene relevant personnel for further review.

(II) Limit of maximum loss

Where positions have been built, the Finance Department shall set a stop-loss point to prevent excess losses based on the maximum loss limit as prescribed in the above table. Where the loss exceeds the maximum limit, the Company shall convene relevant personnel for further review in accordance with the provisions of these Procedures to control risk in a timely manner.

V. Risk management measures

(I) Credit risk management

The market moves along with changes in various factors and that cause operational risks of financial derivatives products. Hence, the market risk shall be managed in accordance with the following principles:

1. Transaction counterparty: major domestic and foreign financial institutions.
2. Products: offered by major domestic and foreign financial institutions.
3. Transaction amount: the open position with the same transaction counterparty shall not exceed 10 percent of the total authorized amount, unless otherwise approved by the General Manager.

(II) Market risk management

Focusing on the open foreign exchange market offered by banks, the Company shall control the price risk of financial derivatives products at any time due to changes in interest rates, foreign exchange rates or other factors.

(III) Liquidity risk management

The Company shall select highly liquid financial products (those can be squared off in the market at any time); in addition, the financial institution entrusted with the transaction shall have sufficient information and the ability to trade in any market at any time.

(IV) Cash flow risk management

To ensure stable working capital turnover, the Company shall use its own funds for derivatives trading, and shall take into account the capital required based on the cash flow forecasts for the next three months when determining the amount of transaction.

(V) Operational risk management

1. The Company shall comply with the authorized quota and operational procedures and take into account internal audit to prevent operational risks.
2. Personnel engaged in derivatives trading shall not serve concurrently

in other operations such as confirmation and settlement.

3. Personnel engaged in risk measurement, monitoring and control shall be assigned to different departments than the personnel prescribed in the preceding subparagraph are assigned, and shall report to the Board or senior management with no responsibility for trading or determining positions.
4. Derivatives trading positions held shall be assessed at least once per week; however, positions for hedge trades required by business shall be assessed at least twice per month, and the assessment reports shall be submitted to senior management authorized by the Board.

(VI) Commodity risk management

Internal traders shall have complete and accurate professional knowledge about financial products; they shall also require banks to fully disclose risks to prevent misuse of financial product risks.

(VII) Legal risk management

Documents executed with financial institutions should be reviewed by foreign exchange or legal professionals or legal counsels before they can be formally executed to prevent legal risks.

VI. Internal audit system

- (I) Internal audit personnel shall periodically ascertain the suitability of internal controls on derivatives trading, conduct a monthly audit of how faithfully the trading department adheres to the procedures for engaging in derivatives trading and analyze the transaction cycle, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.
- (II) Internal audit personnel shall submit the audit report together with annual review of internal audit operations to the FSC as required before the end of February of the following year, and report the improvement of irregular matters to the FSC as required no later than the end of May of the following year for future reference.

VII. Methods of regular evaluation

The Board shall authorize senior management personnel to periodically supervise and evaluate whether derivatives trading performance is consistent with the established operational procedures and whether the risk undertaken is within the Company's permitted scope of tolerance. Where there are irregular circumstances in the valuation report (such as losses from the positions held exceed the predetermined limit), the senior management personnel shall immediately report to the Board and take responsive actions.

VIII. Principles of supervision and management by the Board when engaging in derivatives trading

- (I) The Board shall designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk, in accordance with the principles as follows:
 1. Periodically evaluate whether the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures and the procedures for handling derivatives trading formulated by the Company.

2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board; where the Company has independent directors, they shall be present at the Board meeting and express opinions.
- (II) Periodically evaluate whether derivatives trading performance is consistent with the Company's established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- (III) The Company shall report to the soonest meeting of the Board after authorizing the relevant personnel to handle derivatives trading in accordance with the procedures set forth for engaging in derivatives trading.
- (IV) The Company engaging in derivatives trading shall establish a log book, in which the types and amounts of derivatives trading engaged in, the dates of obtaining the Board's approvals, and the matters required to be carefully evaluated under subparagraph 2, paragraph 7, and subparagraph 1 and 2, paragraph 8 of this Article shall be recorded in details.

Article 12 Procedures for Handling Mergers, Demergers, Acquisitions or Transfer of Shares

I. Evaluation and operational procedures

- (I) Where the Company conducts a merger, demerger, acquisition, or transfer of shares, it is advisable to engage an attorney, certified public accountant, or underwriter to jointly study the estimated timetable for the statutory procedures, and organize a dedicated team to implement the project in accordance with the statutory procedures. Prior to convening a Board meeting to resolve the matter, the Company shall also engage a certified public accountant, attorney, or securities underwriter to give opinions on the rationality of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit the opinions to the Board for discussion and approval. However, where the Company merges a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or paid-in capital, or where a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares of respective subsidiaries or paid-in capital, the aforesaid requirement of obtaining professional opinions on rationality may be exempted.
- (II) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to shareholders' meeting, and send it to shareholders along with the professional opinions as referred to in subparagraph 1, paragraph 1 of this Article, and the shareholders' meeting notification, as a reference in determining whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where any one of the companies participating in a merger,

demerger, or acquisition fails to convene a shareholders' meeting or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, 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.

II. Other matters

- (I) Date of the Board meeting: the company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless other laws provide otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. The company participating in a transfer of shares shall convene a board of directors meeting on the day of the transaction, unless other laws provide otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- (II) Confidentiality undertaking: every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and shall not disclose the content of the plan prior to public disclosure of relevant information and shall not trade, in his or her own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (III) Principles of determining and changing the share exchange ratio or acquisition price: the company participating in a merger, demerger, acquisition or transfer of shares shall, in advance of the board of directors meetings of both parties, engages certified public accountants, attorneys or securities underwriters to express opinions on the rationality of the share exchange ratio, the acquisition price or the distribution of cash or other property to shareholders and submit the opinions to shareholders' meetings. In principle, the share exchange ratio or acquisition price may not be arbitrarily altered, unless otherwise the conditions permitting alteration have been stipulated in the contract and have been publicly disclosed. The conditions permitting alteration of the share exchange ratio or the acquisition price are as follows:
 - 1. Cash capital increase, or issuance of convertible corporate bonds, bonus shares, 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 finance and operations.
 - 3. An event, such as a major disaster or major change in technology, that affects the Company's shareholder equity or share price.
 - 4. An adjustment made by any of the companies participating in the merger, demerger, acquisition, or transfer of shares buying back its shares.
 - 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 which may be altered, as stipulated in the contract and publicly disclosed.

(IV) Contents to be included in the contract: in addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract for a merger, demerger, acquisition, or transfer of shares shall 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 number of shares that participating companies are permitted under law to buy back after the record date of calculating 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 schedule for the progress of plan execution and the anticipated date of completion.
6. Scheduled date for convening the legally mandated shareholders' meetings and relevant procedures if the plan fails to be completed by the deadline.

(V) Changes of the number of participating companies in a merger, demerger, acquisition, or transfer of shares: after relevant information is publicly disclosed, if any company participating in the merger, demerger, acquisition, or transfer of shares intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had been completed toward the merger, demerger, acquisition, or transfer of shares; except that where the number of participating companies decrease and a participating company's shareholders' meeting has resolved to authorize the board of directors to alter the authority, such participating company may be exempted from convening another shareholders' meeting to resolve on the matter anew.

(VI) 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 and proceed in accordance with the provisions with respect to the date of convening a board meeting as prescribed in subparagraph 1 of paragraph 2, the prior undertaking of confidentiality as prescribed in subparagraph 2 of paragraph 2, and the changes of the number of participating companies in a merger, demerger, acquisition, or transfer of shares as prescribed in subparagraph 5 of paragraph 2 of this Article.

(VII) When participating in a merger, demerger, acquisition, or transfer of shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following

information and retain it for five years for reference:

1. Basic identification information for personnel: including 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 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 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 meetings.

When participating in a merger, demerger, acquisition, or transfer of shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the Board, report (in the prescribed format and via the internet-based information system) the information as prescribed in subparagraphs 1 and 2 of the preceding paragraph to the FSC for future reference.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares neither is listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company and proceed in accordance with the provisions of subparagraph 1, 2, and 5 of paragraph 2 of this Article.

Article 13 Public Disclosure of Information

- I. The items to be declared and the standards for announcement and reporting
 - (I) 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 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of 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.
 - (II) Merger, demerger, acquisition, or transfer of shares.
 - (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts prescribed in these procedures adopted by the Company.
 - (IV) 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 meets any of the following criteria:

1. Where a public company's paid-in capital is less than NT\$10 billion, and the transaction amount reaches NT\$500 million or more.
 2. Where a public company's paid-in capital is NT\$10 billion or more, and the transaction amount reaches NT\$1 billion or more.
- (V) Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$100 million or more, and it is disposing of real property from a completed construction project which is constructed by itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount that reaches NT\$1 billion or more.
- (VI) Where land is acquired under an arrangement of engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.
- (VII) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more; 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 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 money market funds issued by domestic securities investment trust enterprises.
- (VIII) The amount of transactions above shall be calculated as follows, and "within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

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 of 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.
- II. Time limit for public announcement and reporting
- Where the Company acquires or disposes of assets, with the matters thereof to be announced as prescribed in paragraph 1 of this Article, and the transaction amount reaches the public announcement and reporting standards in accordance with this Article, the Company shall publicly announce and report within 2 days counting inclusively from the date of occurrence of the event.
- III. Procedures for public announcement and reporting
- (I) The Company shall publicly announce and report relevant information on the information reporting website designated by the FSC.
 - (II) 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 its subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
 - (III) 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 within two days counting inclusively from the date of knowing of such error or omission.
 - (IV) Where the Company acquires or disposes of assets, it shall retain all relevant contracts, meeting minutes, log books, appraisal reports and opinions of certified public accountants, attorneys, and securities underwriters for 5 years except where another act provides otherwise.
 - (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
 1. Change, termination, or rescission of a contract signed with respect 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 in the originally publicly announced and reported information.

Article 14 Controlling Procedures for Subsidiaries

- I. Subsidiaries shall also stipulate the “Procedures Governing the Acquisition and Disposal of Assets” in accordance with the relevant provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”. Where a subsidiary is not a public company, the formation of such procedures shall be approved by the Board of the subsidiary, and the same applies when the procedures are amended.
- II. When a subsidiary acquires or disposes of assets, it shall also be handled in accordance with the provisions of the Company.
- III. Where a subsidiary is not a public company and acquires or disposes of assets that meet the announcement and reporting standards set forth in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the parent company shall handle the announcement and reporting matters on behalf of the subsidiary.
- IV. The “paid-in capital or total assets of the Company” as prescribed in the announcement and reporting standards of a subsidiary refers to the Company’s paid-in capital or total assets.
- V. With respect to the 10 percent of total assets as stipulated in these Regulations, it shall be calculated based on the total assets as stated in the most recent parent company only or individual financial reports prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Where a subsidiary issues its shares without a par value or with a par value other than NT\$10, for calculations of the transaction amount with respect to 20 percent of paid-in capital as prescribed in these Procedures, it shall be calculated based on 10 percent of the shareholders’ equity attributable to owners of the parent company; for calculations of the transaction amount with respect to paid-in capital of NT\$10 billion, it shall be calculated based on NT\$20 billion of shareholders’ equity attributable to owners of the parent company.

Article 15 Penalties

Penalty for violation of these Procedures by managers or personnel in charge shall be handled based on the severity of the circumstances in accordance with the Company’s rules for personnel administration.

Article 16 Implementation and Amendment

The matters hereof under Article 14-5 of the Securities and Exchange Act shall be subject to the consent of one-half or more of all members of the Audit Committee, and furthermore shall be submitted to the Board for resolution and to shareholders’ meetings for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the Audit Committee and shareholders’ meetings for discussion. The same shall apply to any amendments to these Procedures.

Where the Company has appointed independent directors, each independent director’s opinions shall be fully considered when the Procedures Governing the Acquisition and Disposal of Assets are under discussions by the Board. The independent directors’ assent or dissent opinions and the reasons thereof shall also be included in the meeting minutes of the Board.

If not approved by one-half or more of all members of the Audit Committee as prescribed in the preceding paragraph, these Procedures may be implemented with the consent of two-thirds or more of all directors, not subject to the provisions of the preceding paragraph. The resolution of the Audit Committee shall be specified in the meeting minutes of the Board.

The terms “all members of the Audit Committee” and “all directors” in the preceding paragraph shall be counted based on actual incumbent.

Article 17 Supplementary Provisions

Any other matters not stipulated in these Procedures shall be governed by applicable laws and regulations and opinions of the competent authorities.