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1. Legal Sources

This document is established pursuant to Article 36-1 of the Securities and Exchange Act and The letter “Regulations Governing the Acquisition or Disposition of Assets by Public Companies” which issued by the Securities and Futures Bureau, Financial Supervisory Commission (hereinafter referred to as “FSC”), R.O.C.

2. Scope of Application & Domain of Applications

2.1 Scope of Application

- 2.1.1 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.
- 2.1.2 Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
- 2.1.3 Memberships.
- 2.1.4 Patents, copyrights, trademarks, franchise rights and other intangible assets.
- 2.1.5 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- 2.1.6 Derivatives.
- 2.1.7 Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- 2.1.8 Other major assets.

2.2 Domains of applications: the Company, the domestic and overseas subsidiaries; the Company shall supervise the subsidiaries stipulating and implementing the “Procedure for The Acquisitions or Dispositions of Assets” in compliance with the “Regulations Governing the Acquisition or Disposition of Assets by Public Companies” published by FSC, or, in compliance with the “Procedures for Acquisition and Disposal of Assets.” With the exception of subsidiaries already listed on the stock exchange/OTC market thereby they are required to institute their own “Procedure for The Acquisitions or Dispositions of Assets” and comply accordingly.

3. Definitions

3.1 Financial Derivatives: Derivatives as defined in this procedure shall refer to Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other

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interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

- 3.2 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 therefore (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
- 3.3 Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Professional appraisers, certified public accountants, lawyers or security underwriters who issue the appraisal reports, accountant's reports, and statement of the legal counsel or security underwriters in favor of the Company shall not be concerned with any of the parties involved in the trade.
- 3.4 Professional appraisers: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- 3.5 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.
- 3.6 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.

4. Limits on the investments of realty not for business use and marketable securities

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the Company and respective subsidiary may acquire the aforementioned assets in accordance with the following limits:

	The Company	Investment holding Company	Other subsidiaries
Realty not for business use	15% of net worth	5% of the net worth of parent	
Investment of marketable securities	150% of the net worth	100% of the net worth of subsidiary	10% of the net worth of parent
Amount of investment on individual security	50% of the net worth	100% of the net worth of subsidiary	5% of the net worth of parent

5. The Acquisition or Disposition of Marketable Securities by the Company

5.1 Evaluation and Operation Process

The Company may buy or sell marketable securities in accordance with the regulations governing the investment cycle under the Company's internal control system.

5.2 Decision-Making Process on the terms and conditions of trade and authorized limit of investment

5.2.1 For securities traded on the stock exchange or OTC market, shall prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. The responsible department shall make their decision with reference to the said statements and the market situation. The limit of investment shall be granted in accordance with the line of authority for decision-making.

5.2.2 For securities not traded on the stock exchange or OTC market, shall prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. After determining the earning per share, profitability and the potential of the securities. The limit of investment shall be granted in accordance with the line of authority for decision-making.

5.3 If the dollar transaction amount of the Company acquiring or disposing of

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securities is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (hereinafter referred to as "ARDF"). 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 (FSC).

6. Acquisition or disposal of realty or equipment

6.1 Evaluation and Operation Process

The Company may buy or sell realty and equipment in accordance with the regulations governing the Property, Plant and Equipment cycle under the Company's internal control system.

6.2 Decision-Making Process on the terms and conditions of trade and authorized limit of investment

6.2.1 In acquiring or disposing realty, the respective department shall consult the announced present value, appraised value (including the appraisal report), the actual price for the transaction of real property in the vicinity, negotiated terms and conditions of trade and compile into an analysis report and present to the board chairman. The authorized limit of acquisition or disposition shall be based on the line of authority.

6.2.2 For the acquisition or disposition of equipment, the respective department shall make an inquiry, compare the offer, negotiate on the price or submit to bidding. The limit shall be based on the line of authority.

6.3 In acquiring or disposing of real property or equipment 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 government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment 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:

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- 6.3.1 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, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- 6.3.2 Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- 6.3.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, 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 perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
- 6.3.3.1 The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
- 6.3.3.2 The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- 6.3.4 No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

7. The Acquisition or Disposition of memberships or Intangible Assets

7.1 Evaluation and Operation Process

The Company may buy or sell memberships or intangible assets with the presentation of relevant appraisal reports and carried out in accordance with the line of authority of the Company and the following procedure.

7.2 Decision-Making Process on the terms and conditions of trade and authorized limit

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- 7.2.1 In acquiring or disposing of memberships, the respective department shall consult the fair market price for determining the terms and conditions of the deal and the price. An analysis report for such purpose shall be compiled and submitted for the Group CEO's approval. If the amount of transaction falls below 1% of the Company's paid in capital or NT\$3 million, it shall be submitted for approval by the board chairman and presented to the nearest board session for recognition. For transaction values exceeding NT\$3 million, submit for the approval from the board in advance.
- 7.2.2 In acquiring or disposing of intangible assets, the respective department shall consult the appraisal reports issued by professional appraisers or the fair market price for determining the terms and conditions of the deal and the price. An analysis report for such purpose shall be compiled and submitted for approval by the board chairman. If the transaction amount falls below 10% of the Company's paid in capital or NT\$20 million, submit for the board chairman's approval and present to the nearest board session for recognition. For transaction values exceeding NT\$20 million, submit for the approval of the board in advance.
- 7.3 The Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
8. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
9. Related Party Transactions
- 9.1 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to comply with the procedure in section 5~7, ensuring that the necessary resolutions in this section are adopted and the reasonableness of the transaction terms is appraised. If the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal

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report from a professional appraiser or a CPA's opinion in compliance with the provisions of the section 5~7.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

9.2 Evaluation and Operation Process

The Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of [money market funds issued by domestic securities investment trust enterprises \(SITE\)](#), the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been and approved by the audit committee and resolved by the board of directors:

- 9.2.1 The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 9.2.2 The reason for choosing the related party as a trading counterparty.
- 9.2.3 With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with section 9.3.
- 9.2.4 The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
- 9.2.5 Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- 9.2.6 An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with section 9.1.
- 9.2.7 Restrictive covenants and other important stipulations associated with the transaction.

With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Company's board of directors may delegate the board chairman to decide such matters when the transaction is within

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a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, 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.

Where an audit committee has been established in accordance with the provisions of the Act, the matters which requires recognition by the supervisors shall first be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions

9.3 Assessment on the cost of transaction

9.3.1 The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

9.3.1.1 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.

9.3.1.2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security 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 period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of

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the trading counterparties.

Where land and structures thereupon are combined as a single property purchased 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 section 9.3.1.1 and 9.3.1.2.

The Company that acquires real property from a related party and appraises the cost of the real property in accordance with 9.3.1.1 and 9.3.1.2 shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with section 9.2 and do not apply the paragraph 1~3 of the section 9.3.1.1 and section 9.3.1.2:

- 9.3.1.2.1 The related party acquired the real property through inheritance or as a gift.
- 9.3.1.2.2 More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
- 9.3.1.2.3 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.

9.3.2 When the results of the Company's appraisal conducted in accordance with section 9.3.1 are uniformly lower than the transaction price, the matter shall be handled in compliance with section 9.3.3. However, where the following circumstances exist, 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:

- 9.3.2.1 Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

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- 9.3.2.1.1 Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division 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.
- 9.3.2.1.2 Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
- 9.3.2.1.3 Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- 9.3.2.2 Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
- 9.3.2.3 Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph 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; transaction for 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

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the date of occurrence of the acquisition of the real property.

9.3.3 Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with section 9.3.1 and section 9.3.2 are uniformly lower than the transaction price, the following steps shall be taken:

9.3.3.1 A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.

9.3.3.2 The independent directors of audit committee shall comply with Article 218 of the Company Act.

9.3.3.3 Actions taken pursuant to section 9.3.3.1 and section 9.3.3.2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The Company 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 at a premium, or they have been disposed of, 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. When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.

10. Procedure for the acquisition or disposition of creditor rights from financial institutions
As a matter of policy, the Company shall not engage in the acquisition or disposition of creditor rights of financial institutions and may only do so at the approval of the board and under cautious assessment with the institution of relevant operational procedure.

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11. Procedure for the acquisition or disposition of derivatives

11.1 Principle and guideline of trade

11.1.1 Type of trade

Derivatives as defined in this procedure shall refer to section 3.1.

11.1.2 Business (Hedge) Strategy

Derivative trade may only be conducted for assuring the Company's business profit. In so doing, the net position of company assets and liabilities and the anticipated use (outward investment, capital spending and surplus sinks back) shall be taken into account. The assets and liabilities position for the next quarter shall be considered for taking hedge in derivative trade and not for business.

11.1.3 Character of trade

11.1.3.1 Hedge Trade:

- A. Qualify for hedge accounting: Booking the transaction with hedge accounting principle when it follows the hedge accounting standards(Note 1)

(Note 1) "Hedge accounting" is defined in accordance with the R.O.C. Statement of Financial Accounting Standards (SFAS) No. 34 before December 31, 2012 and then in accordance with the International Accounting Standard 39 since January 1, 2013.

- B. Not qualify for hedge accounting: The hedge is not qualify for hedge accounting but almost the same effect on profit or loss for this type of hedging relationship can be achieved. The gain or loss from measuring the hedging instrument at fair value shall be recognized in profit or loss

11.1.3.2 Non-Hedge Trade:

- A. Operating for business: the Company shall not deal with such kind of trade.

11.1.4 Authority and Responsibility

11.1.4.1 Treasury

- A. Map out the strategy for derivative trade.
- B. Gather market information and make judgment on the trend and the risk.

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- C. Conduct financial derivative trade and delivery.
- D. Access the efficiency of the hedging.
- E. Access the fair value of financial goods.
- F. Measure the hedging instrument.
- G. Measure the hedged items.

11.1.4.2 Accounting

- A. Application of stamp for confirming the transaction and make sure the book entry follows hedge accounting standards.
- B. Compile the listing of foreign exchange position.
- C. Regularly cross check with the banks on the exposure of trade.
- D. Compile periodic reports on the Company's exposure.

11.1.4.3 Legal: Contract a review and custody of relevant contract documents.

11.1.4.4 Audit: Conduct regular audit, monitor the derivative trade and present audit report to the Group CEO, audit committee and board members.

11.1.5 Performance Evaluation

11.1.5.1 Hedge Trade:

- A. Access the efficiency of hedging: In order to apply to hedge accounting, the hedge is expected to be highly effective (80%~125%) in achieving offsetting changes in fair value or cash flows attributable to the hedged risk.
- B. This shall be base on the Company's annual goal set for derivative trade for hedge.
- C. Treasury shall conduct an evaluation twice a month and report to the top officer of the Financial Division. A copy of this report shall be forwarded to the Office of Internal Audit for discussion on possible exposure and the hedge strategy for future operation.

11.1.5.2 Non-Hedge Trade

The Company shall not deal with non-hedge trade.

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11.1.6 Contract sum and set up the cut loss point

11.1.6.1 Contract Sum

- A. Hedge Trade: This shall be lower than the sum of the net exposure of assets and liabilities plus anticipated position for future use (outward investment and capital spending). In addition, the expected exposure of assets and liabilities for the next quarter shall also be considered.
- B. Non-Hedge Trade:
the Company shall not deal with non-hedge trade.

11.1.6.2 Cut loss point of the entire exposure and individual contract

- A. Hedge Trade: The purpose of conducting derivative trade is hedge. Therefore, the profit and loss shall be hedged by the position held by the Company. Accordingly, the cut loss point for the entire exposure and individual contract is 20% of the contract amount.
Where the fluctuation of interest and exchange rates may become critical (excess the cut loss point), the Company shall call for board chairman, Group CEO and relevant managers to meet in order to map out solutions.
- B. Non-Hedge Trade:
The Company shall not deal with non-hedge trade.

11.2 Operation Procedure

11.2.1 Authorized Limit and Line of Authority

11.2.1.1 Hedge Trade

- A. The top officer of the Financial Division is the ultimate decision-maker.
- B. The top officer of the Financial Division is authorized to make decisions on the daily transaction limit and the cumulative amount of trade.

Approved by	Daily trade authorized limit	Net cumulative trade amount
The top officer of the Financial Division	Over US\$30Mio	Over US\$100Mio
VP/AVP	US\$30Mio and below	US\$100Mio and below
Director	US\$20Mio and below	US\$50Mio and below

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Traders	US\$5Mio and below	US\$20Mio and below
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11.2.1.2 Non-Hedge Trade: the Company shall not deal with non-hedge trade.

11.2.2 Trading Unit

There are plenty of new derivatives coming into being over time and the potential risks of trade thereof are complex and highly unpredictable. It also involves the information of the Company's A/P and A/R. Therefore, such trade shall be conducted by personnel in Treasury at the consent of the top officer of the Financial Division. No other personnel may conduct derivative trade.

11.2.3 Operation Procedure

Please refer to the "Procedure for Financial Derivative Trade"(Appendix I)

11.3 Declaration Process

The Company shall, on a monthly basis, declare the status and the portfolio of derivative trade conducted by the Company and its subsidiaries until the end of the previous month online with the FSC.

11.4 Accounting

The accounting process of financial derivative trade shall be done in accordance with the GAAP (Note 2) announced by the ARDF.

(Note 2) The "GAAP" is defined in accordance with the R.O.C. Statement of Financial Accounting Standards (SFAS) before December 31, 2012 and then in accordance with the International Accounting Standard since January 1, 2013.

11.5 Internal Control System

11.5.1 Risk Management Policy

11.5.1.1 Credit Risk Management: only banks and internationally renowned financial institutions are qualified as the Company's trade counterparts and they shall provide professional advice and information.

11.5.1.2 Market Risk Management: the Company just deal with hedge trade, shall not deal with non-hedge trade. The change of fair value of hedged items shall be offset by the hedging tools held by the Company to reduce the market risk.

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11.5.1.3 Liquidity Risk Management: For liquidity of trade, respective personnel shall select products with higher liquidity (can be easily and readily offset in the market). The bank with which the Company deals with shall have sufficient information and have the capacity to conduct trade in the market at any time. All traders shall duly observe the authorized limit and pay close attention to the Company's volume of cash flow to assure smooth settlement.

11.5.1.4 Operation Risk Management: Strictly follow the procedure for financial derivative trade and avoid operational risk.

11.5.1.5 Legal Risk Management: All contracts with counterpart banks shall be subject to the review of the Company's foreign exchange and legal staff before signing to avoid legal risk.

11.5.2 Internal Control

11.5.2.1 Personnel may act only as trader, confirmation staff or delivery staff. No one shall hold more than one such position.

11.5.2.2 Traders shall conduct trade within the limit as approved by the Company's competent authority. After the transaction, present the record for review by the person in charge, and forward all documents or contracts to Accounting for data entry.

11.5.2.3 The accountant shall regularly check the content of the transaction statement and the total amount with the counterpart banks.

11.5.2.4 Traders shall pay attention at all time/data entry staff shall cross-check the total transaction amount at all time to assure if the total limit of trade has exceeded the authorized limit.

11.5.2.5 Accounting shall assess the status of profit or loss at the end of each month with reference to the exchange rate and interest rate at the close of the last day of the month, compile relevant statements and present to the top officer of the Financial Division and the head of Treasury. A copy of such statement shall be forwarded to the head of internal audit.

11.5.2.6 The Company's top officer of the Financial Division shall be fully aware of the supervision and control of derivative trade at any time, and shall assess regularly if current risk management policy is appropriate.

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11.5.2.7 The Company's top officer of the Financial Division is authorized under this procedure the limit for financial derivative trade and shall report to the soonest of the board for recognition.

11.5.2.8 Relevant departments within the Company shall prepare record books noting down all transactions by type, amount of derivatives and the board resolution date. In addition, items as specified in 11.5.3.1~3 shall be subject to review and shall be stated in the said record books in full detail.

11.5.2.9 In the event of change in the authorized signature of the Company, the respective department shall immediately notify the bank for change, and shall obtain a photocopy of the impression card showing the specimen of authorized signature or seal for record as other documents.

11.5.3 Routine Evaluation

11.5.3.1 The board shall appoint the head of internal audit to conduct an audit on the supervision of derivative trade and the suitability of the internal control procedure in accordance with this procedure and the "Implementation Procedure of Internal Audit" for compliance. If any discrepancy is discovered, request the top officer of the Financial Division to take necessary measures and immediately report to the board and the audit committee.

11.5.3.2 The top officer of the Financial Division shall conduct a periodic evaluation on the performance of derivative trade to assure they are done in conformity with the Company's business strategy and that the risk entailed falls within the Company's tolerance threshold.

11.5.3.3 Treasury shall conduct an evaluation on the Company's exposure in financial derivative trade at least twice a month. The result of evaluation shall be reported to the top officer of the Financial Division. A copy of this report shall be forwarded to the head of internal audit.

11.6 Internal Audit System

All internal auditors shall be fully aware of the suitability of the internal control of financial derivative trade regularly in accordance with this procedure and the

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“Implementation Procedure of Internal Audit”, and shall base on the audit findings from the trading department on compliance and the analysis of the transaction cycle to prepare an audit report. Where materiality may be discovered, notify the audit committee in writing.

12. Corporate Mergers, Split up, Takeover or Swaption of Shares

12.1 Evaluation and Operation Process

12.1.1 The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries’ issued shares or authorized capital.

12.1.2 The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in section 12.1.1 when sending shareholders notification of the shareholders meeting for reference in deciding 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 the shareholders meeting of any one of the companies participating in a merger, demerger, 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

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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.

- 12.2 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 another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

The Company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. When participating in a merger, demerger, acquisition, or transfer of another company's 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 5 years for reference:

- A. 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.
- B. 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.
- C. 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.
- D. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in section 12.2.A and 12.2.B to the FSC for recordation.
- E. Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor

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has its shares traded on an OTC market, the Company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of section 12.2.C and 12.2.D.

- 12.3 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 may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their 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.
- 12.4 Public companies participating in a merger, demerger, acquisition, or 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, demerger, acquisition, or transfer of shares:
- 12.4.1 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.
- 12.4.2 An action, such as a disposal of major assets that affects the Company's financial operations.
- 12.4.3 An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- 12.4.4 An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- 12.4.5 An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- 12.4.6 Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- 12.5 The contract for participation by a public company in a merger, demerger, acquisition, or of shares 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:
- 12.5.1 Handling of breach of contract.

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- 12.5.2 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.
- 12.5.3 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.
- 12.5.4 The manner of handling changes in the number of participating entities or companies.
- 12.5.5 Preliminary progress schedule for plan execution, and anticipated completion date.
- 12.5.6 Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- 12.6 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.
- 12.7 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of section 12.2, section 12.3 and section 12.6.
13. Enforcement, Punishment and Reward
- Investment and Finance are the departments in charge of the execution of securities investments. Users and relevant departments shall be in charge of the acquisition or disposition of realty and equipment. Relevant personnel who defy this procedure shall be liable for punishment in accordance with the "Regulation for Reward and Punishment" or other related regulations.

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14. Procedure for announcement:

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 commencing immediately from the date of occurrence of the event

- 14.1 Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises (SITE).
- 14.2 Merger, demerger, acquisition, or transfer of shares
- 14.3 Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- 14.4 Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:
- 14.4.1 For the Company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
- 14.4.2 For the Company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- 14.5 Where land is acquired under an arrangement on 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 the amount the Company expects to invest in the transaction reaches NT\$500 million.
- 14.6 Where an asset transaction other than any of those referred to Section 14.1 to 14.5, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
- 14.6.1 Trading of government bonds.
- 14.6.2 Investment is taken as a profession and conduct trade of marketable securities in domestic or overseas stock exchanges or OTC markets, or subscription by investment professionals

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of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market, 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 relevant regulations.

14.6.3 14.4.3 Bonds with repurchase or reverse repurchase features, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises (SITE).

14.7 The amount of section 14.1 to 14.6 and the amount should be obtained an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions in section 5, 6, 7 and 9. shall be computed as follows:

14.7.1 The amount of any individual transaction.

14.7.2 The accumulated amount of transaction with the same counterpart or of the disposition of the same type of asset within one year.

14.7.3 The amount of the same development project accumulated from disposition or acquisition (counted separately) in one year.

14.7.4 The accumulated amount of the same marketable security acquired or disposed in one year (counted separately).

14.8 One year shall be defined as the period from the day of transaction to calendar year in retrospect. Transactions already announced under the "Criteria for The Acquisition or Disposition of Assets by Public Companies" shall not be included. the Company shall report to the FSC the status of derivative trade conducted by the Company and its subsidiaries which are not public company in the country of the month in the required format to the required website by the 10th day of the next month. 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. The Company shall retain related contracts, meeting minutes, record books, appraisal reports, statements of opinions expressed by public auditors, lawyers and/or security underwriters in its office for five years unless otherwise required by law.

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15. Where any of the following may apply after the Company has reported and announced online pursuant to section 14 of this procedure, it shall provide supplementary information for the Securities and Futures Bureau online within two days:

15.1 Change, termination, or rescission of a contract signed in regard to the original transaction.

15.2 The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

15.3 Change to the originally publicly announced and reported information.

16. The Company shall be responsible for declaring online the acquisition or disposition of assets by subsidiaries who are not public companies in the country and are required to report and declare.

17. The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to section 14 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

18. The transaction amount defined in section 5, 6, 7, 9 and 14 of the Procedures is based on the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (Announced by FSC).

For the calculation of 10 percent of total assets under these procedures, the 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.

19. Disposition Procedures

19.1 This procedure shall enter into full force at the approval of the board and then to a shareholders' meeting for approval. When the procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as

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required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The procedures must have been approved by board of directors, and then to a shareholders' meeting for approval when the procedures are amended. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions. If any director expresses dissent to the amended of this procedure, the board of directors shall take into full consideration this opinion, and it should be recorded in the minutes of the board of directors meeting.

- 19.2 If the acquisition or disposal of assets needs to be approved by board of directors pursuant to this procedure or other laws, they shall be approved by more than half of all audit committee members at first and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions. The acquisition or disposal of assets needs to be approved by board of directors pursuant to this procedure or other laws, the board of directors shall take into full consideration of all directors' opinions, and it should be recorded in the minutes of the board of directors meeting.