

SDI Corporation's Procedures for Acquisition or Disposal of Assets

- Article 1 These Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and the Regulations Governing Acquisition or Disposal of Assets by Public Companies stipulated by the Financial Supervisory Commission, and other laws and regulations in order to strengthen the Company's asset management and implement the information disclosure in practice.
- Article 2 The term "assets" as used in these Procedures is applicable within the scope enumerated below:
- I. Long-term and short-term 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, etc.
 - II. Real estate (including land, building and structures, real estate held for investment purposes) and equipment.
 - III. Memberships.
 - IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
 - V. Right-of-use assets.
 - VI. Derivative products.
 - VII. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions, or share transfer in accordance with law.
 - VIII. Other major assets.
- Article 3 The terms mentioned in these Procedures are defined as follows:
- I. Derivative products: The term means forward contracts, options, futures, leverage contracts, or swaps, whose value is derived from specific interest rate, price of financial instruments, price of commodities, foreign exchange rates, price or rate indexes, credit rating or credit indexes, or other variables, and combination of the above contracts, or combined contracts or structural commodities incorporated with the derivative products. The term "Forward Contracts" does not include insurance contracts, fulfillment contracts, after-sales service contracts, long-term lease contracts or long-term purchase (sale) agreements.
 - II. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions, or share transfer in accordance with law: The term means assets acquired or disposed of by merger, spin-off or acquisition pursuant to the Business Mergers and Acquisition Act, or other laws, or share transfer from other companies by issuing new shares of its own as the consideration therefor (hereinafter "transfer of shares") pursuant to the sixth paragraph of Article 156-3 of the Company Act.
 - III. Related party and subsidiary: The term "related party" and "subsidiary" as used in these Procedures mean those parties defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 - IV. Professional appraiser: The term as used in these procedures, means a certified appraiser or a company in the business of appraising real property or equipment.
 - V. Date of occurrence: The term in these Procedures means the date of contract signing, date of payment, date of transactions, date of transfer, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier. However, with investments that require the approval of the competent authority, the earliest of the above dates or the date of receipt of approval by the competent authority shall apply.
 - VI. Investments in China: The term means investments made in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area by the Investment Commission of the Ministry of Economic Affairs, R.O.C.
 - VII. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation ("TWSE"); "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"): "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 (TPEX); "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and permitted to conduct securities business.

Article 4

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters who provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall conform to the following provisions:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- 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 following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. Properly plan and implement appropriate operational procedures to form a conclusion and issue a report or an opinion accordingly when checking the case; and the procedures, data collected and conclusions to be carried out shall be detailed in the working paper of the case.
- III. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 5

The assets acquired or disposed by the Company shall reported level by level according to the following evaluation procedures, and where necessary, shall be submitted to the Board of Directors for discussion and approval:

- I. Long-term and short-term investments in securities: In case of non-public (non-listed) companies, long-term and short-term investments in securities shall be evaluated by the finance department according to the financial statements and other relevant data of the invested companies, and reported to the general manager and the Chairman for approval based on the authority level of the organization. In case of public (listed) companies, the officer designated by the Chairman shall make long-term and short-term investments in securities in the centralized trading markets or the business offices of the securities dealer by taking into account the financial position of the Company.
- II. Real property and other fixed assets: The administration department or the using units shall make a market investigation in detail. The investigation reports and the appraisal results of the professional appraisal agency shall be submitted to the general manager and the Chairman for approval based on the authority level of the organization.
- III. When the assets are acquired or disposed, the responsible department shall inform the administration department and the finance department of the incoming facts in writing.
- IV. Where the transaction amount as described in foregoing Paragraphs I to III reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall report to the Board of Directors for approval in advance; or otherwise, shall be submitted to the most recent Board of Directors' meeting for ratification thereafter.
- V. The Company or subsidiaries may acquire real property and its right-of-use assets or securities in aggregate up to 40% of the paid-in capital, and may invest individual

securities up to 20% of the paid-in capital.

- VI. Acquisition of real property and other assets shall be subject to the Company's Measures on Administration of Fixed Assets. After acceptance of the title in the assets, registration of property ownership or any changes thereto shall be conducted by the administration department and the finance department respectively, and be incorporated in the directory of the property.
- VII. Any securities that are acquired through original offering shall be certified in the name of the Company within 3 months after investment. In special circumstances, a report shall be submitted for approval. In case the securities are acquired by a third party, the Company shall immediately conduct the transfer formalities, and deliver the securities to the officer designated by the finance department for custody or management.

Article 6

In the case of the Company's acquisition or disposal of assets has to be approved by the Board of Directors according to these Procedures or other laws, but a director shows dissent and the dissent is recorded or presented in a written statement, the Company shall submit the director's dissent materials to the Audit Committee.

When the Company submits the transaction for acquisition or disposal of assets to the Board of Directors for discussion according to the preceding paragraph, the Board of Directors shall take into full consideration opinion of each independent director. If the independent director objects to or expresses reservations about any matters, it shall be recorded in the minutes of the Board of Directors' meeting.

Any transaction involving the Company's major assets or derivatives 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 required in preceding paragraph is not obtained, the Procedures may be approved by more than two-thirds of all directors, and the resolution by the Audit Committee shall be recorded in the minutes of the Board of Directors' meeting.

The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.

Article 7

In acquiring or disposing of real estate or equipment by the Company, unless otherwise transacting with a government agency, commissioning others to build on its own land, leased land by appointing a constructor, or acquiring or disposing equipment for business use, where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million, the Company shall obtain an appraisal report issued by a professional appraiser and further comply with the following provisions prior to the date of occurrence of event:

- I. Due to special circumstances, where a limited price, specified price or special price is deemed as the basis of reference 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.
- II. Where the transaction amount is more than NT\$ 1 billion, appraisals from two or more professional appraisers shall be obtained.
- III. 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 ROC Accounting Research and Development Foundation (abbreviated as ARDF hereafter) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (I) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - (II) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- IV. The date of the report issued by the professional valuer and the date of the establishment of the contract shall not exceed 3 months. However, 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.

Article 8

In acquiring or disposing of securities, prior to the date of occurrence of the event, the Company shall obtain financial statements of the issuing company for the most recent period,

certified or reviewed by a certified public accountant, for reference in evaluating the transaction price. In addition, if the transaction amount is up to 20% 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 ARDF. This requirement does not apply, however, to securities with publicly quoted prices in an active market or in compliance with regulations set by the Financial Supervisory Commission.

Article 9 If the transaction amount of the Company's acquisition or disposal of intangible assets or the right-of-use assets or membership certificates is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall, unless trading with the domestic government agencies, 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, and the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 9-1 The calculation of the transaction amounts referred to in the foregoing three paragraphs shall be done in accordance with Paragraph 2 of Article 27 of these Procedures, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 10 Court documents can be substituted for reports or opinions issued by a CPA or certified appraiser if the assets are acquired or disposed through court auction.

Article 11 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions 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 report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding paragraphs. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 9-1 herein.

While determining if the counterparty of the transaction is a related party, the Company shall, in addition to legal formalities, consider the substance of the relationship.

Article 12 When 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 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, except for trading government bonds, RP and RS bonds, and the purchase or redemption of domestic money market funds issued by securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted and approved by the Audit Committee and obtained resolutions by the Board of Directors.

- I. The purposes, necessity, and anticipated benefits of the acquisition or disposition of the assets.
 - II. The reasons for selecting the related persons as the transaction counterparty.
 - III. Relevant information for evaluating the reasonableness of the terms of the anticipated transaction for real estate or right-of-use assets acquired from the related party pursuant to the provisions of Articles 13 and 14.
 - IV. Information such as 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.
 - V. 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 uses of fund.
 - VI. Appraisal reports from professional appraisers or CPA's opinions in compliance with the preceding article.
 - VII. Restrictive covenants and other important stipulations associated with the transaction.
- Amount of the transaction in the preceding paragraph shall be calculated in accordance with Paragraph 2 of Article 27, and "within a year" as used herein, refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the Audit

Committee and approved by the Board of Directors according to these Procedures need not to be counted toward to the transaction amount.

When the Company and its subsidiaries or their subsidiaries that directly or indirectly hold 100% of the issued shares or total capital are engaged in the following transactions with each other, the Board of Directors shall authorize the Chairman to make decisions within a certain amount in accordance with Paragraph 2 of Article 5. The report will be ratified in the most recent Board of Directors' meeting after the transaction.

- I. Acquisition or disposal of equipment or other right-of-use assets for purpose of business.
- II. Acquisition or disposal of real estate right-of-use assets for purpose of business.

When the Company reports acquisition or disposal of assets as described in the preceding paragraph to the Board of Directors for discussion, the Board of Directors shall take into full consideration opinion of each independent director. If the independent director objects to or expresses reservations about any matters, it shall be recorded in the minutes of the Board of Directors' meeting.

Any matters to be passed by the Audit Committee according to Paragraph 1 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 required in preceding paragraph is not obtained, the Procedures may be approved by more than two-thirds of all directors, and the resolution by the Audit Committee shall be recorded in the minutes of the Board of Directors' meeting.

The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.

Article 13

In acquiring real property or the right-of-use assets from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

- I. 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.
- II. 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 the trading counterparties.

Where land and structures 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 the preceding paragraph.

In acquiring real property or the right-of-use assets from a related party, the Company shall, in addition to evaluation on the costs of the real property or the right-of-use assets under the preceding two paragraphs, also engage a CPA to check the evaluation and render a specific opinion.

Where the Company acquires real property or the right-of-use assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of the preceding paragraph, and the provisions of the preceding three paragraphs do not apply:

- I. The related party acquired real property by inheritance or as a gift.
- II. 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.
- III. The real property is acquired through signing of a joint development contract with the related party, or contracting with a related party in the construction of real estate such as contracted construction with its own land or contracted construction on leased land.
- IV. The real property right-of-use assets for business use are acquired by the Company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.

Article 14

If the evaluation result according to previous item 1 and item 2 is lower than the transaction price, the provisions of Article 15 shall be followed. 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:

- I. Where the related party acquired undeveloped land or leased land for development, proof of compliance may be submitted with one of the following conditions:
 - (I) 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 term "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.
 - (II) The completed transactions of other floors of the same property or adjacent area by unrelated parties within the preceding year, where the terms of the transactions are similar and the reasonable price discrepancies of different floors or land area with market practice have been taken into consideration.
- II. Where the Company acquiring or leasing 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.

The aforementioned item "completed transactions for adjacent area" 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 to the latest official land price promulgated by the government. The term "the area of the property thereof are similar" in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. The term "within the preceding year" refers to the year retrospectively preceding the date of occurrence of the acquisition of the real property.

Article 15

Where the Company acquires real property or the right-of-use assets from a related party, in the event that the results of appraisal conducted in accordance with the preceding two paragraphs are lower than the transaction price, the Company shall take the following steps:

- I. A special reserve shall be set aside according to Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised value, and may not be distributed or used for capital increase or issuance of bonus shares. Where the investors whose investments in the Company are measured using the equity method are the public companies, then, the special reserve shall be also set aside pro rate to the shareholding in accordance with Article 41-1 of the Securities and Exchange Act.
- II. Independent director members of the Audit Committee shall comply with Article 218 of the Company Act.
- III. Actions taken pursuant to the two preceding subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Where the Company has set aside a special reserve under the preceding paragraph, the Company shall not utilize the special reserve until it has recognized a loss or decline in market value of the assets it purchased or leased 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 Financial Supervisory Commission has given its consent.

Where the Company obtains real property or right-of-use assets from a related party, it shall also comply with preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's-length transaction.

Article 16

Principles and Guidelines for Transaction of Derivative products

- I. Type of transactions

The Company may engage in derivative products with limit purposes of management of exchange rate and interest rate, and hedging. The Company may not engage in transaction of other derivative products until it obtains resolution from the Board of Directors and these Procedures are amended.
- II. Business and hedging strategies

The purpose of engaging in derivatives trading shall be averting risks, and the products selected for trading shall mainly enable the Company to avert the risk arising from

business operations. In addition, the Company shall only select banks it has established business relations with to engage in transactions in order to avoid credit risks

III. Segregation of duties:

1. Finance Department: responsible for execution of transactions according to the provisions of the procedures, timely collection of market information, and familiarization with relevant laws and operation skills, to offer sufficient and timely information to the management
2. Accounting: responsible for confirmation of transaction, settlement, and recording of details.

IV. Transaction limit

1. The total contract amount for forward foreign exchange operations for purpose of hedging shall not exceed the total actual demand of foreign currency of the Company's import and export.
2. The hedging transactions of interest rate swap shall not exceed 20% of the Company's net value.
3. The total amount of other derivative products shall not exceed 10% of the Company's net value.

V. Loss ceiling

1. For hedging transactions based on the Company's actual demands, the amount of losses under individual contracts shall not exceed 10% of the amount of the trading contract amount, and the maximum loss amount of all contracts shall not exceed 10% of the total contract amount.
2. For losses under the investment transaction contracts, the total losses shall not exceed 5 percent of the paid-in capital; the losses of individual trading contracts shall not exceed USD 100,000.

VI. Performance evaluation

1. In accord with foreign exchange position sizes, determine foreign exchange profit and loss objectives, and review such objectives on a regular basis.
2. Evaluate the net profits and losses of the month on a regular basis, work together with the relevant departments to review the position of the Company, and discuss occurrence and hedging of the future positions to determine the future operation guidelines.

Article 17

Operational Procedures for Derivative Transactions

I. While engaging in derivative commodity transactions, the Company shall follow the authorized amount below, and shall report to the recent Board of Directors for approval thereafter.

1. Forward foreign exchange: Supervisors at level of finance department manager (inclusive) or above are authorized to make deals with the financial institutions at an amount of not more than USD two million. Any transactions in excess of USD two million shall be reported to the general manager for approval one by one.
2. Interest rate swap and transaction of other derivative products: each deal shall be approved by the general manager.

II. In-charge departments and procedures.

1. Execution of transactions: The trading personnel from the Finance Department will conduct transactions with the banks based on the line of authority. Transaction log shall be completed at the end of each deal, stating the contents of the deal. After the supervisor signs for approving the transaction with statistical data of the position, the copy of the transaction log will be submitted to the Accounting Department.
2. Transaction confirmation, settlement and registration: The Accounting Department shall confirm the transaction according to the copy of the transaction log made by the trading unit. Subsequently, delivery will be undertaken and details will be recorded according to the number confirmed by the transaction. Besides, statements shall be prepared and submitted to the trading personnel of the Finance Department.

III. Memorandum book shall be prepared for derivative products transactions, to record items like transaction type, amount, date of passing the Board of Directors, and prudent evaluation in accordance with Article 16 for future reference.

IV. The internal auditors of the Company shall periodically look into the appropriateness of the internal control over derivatives products and conduct a monthly audit of how

faithfully derivatives trading by the trading department adheres to these Procedures, and prepare an audit report. Where a material violation is found, the Audit Committee shall be informed in writing.

Article 18

Internal Control System for Derivative Transactions

Business activities	Key control points
Trading and confirmation	<p>I. Master the market information in real time.</p> <p>II. Make confirmation based on the contents of the transaction log item by item at the time of transactions.</p> <p>III. Complete the transaction log and submit it to the supervisor for approval and signature immediately at the end of the transaction.</p> <p>IV. Transaction amount shall conform to the authorized line hereunder.</p> <p>V. Confirm transactions based on the transaction log.</p>
Risk Management	<p>I. Credit risk management</p> <ol style="list-style-type: none"> 1. The transaction counterparties are limited to the bank with business relationship with the Company. 2. After the transaction, the recording personnel shall immediately record the transaction on the credit limit control sheets and regularly check the balances with the transacting bank. <p>II. Market risk management</p> <ol style="list-style-type: none"> 1. The recording personnel shall check at any time whether the total transaction amount meets the limits specified in there Procedures. 2. The trading unit of the Finance Department will work together with the Accounting Department to evaluate the market price every week, and will monitor the possible gain/loss influences on the positions held from the future market price fluctuations. <p>III. Liquidity risk management</p> <p>The trading personnel shall comply with the terms of authorized line and pay attention to the company's cash flow to ensure sufficient cash payment at the time of delivery.</p> <p>IV. Operational risk management</p> <ol style="list-style-type: none"> 1. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement. 2. Each operation step shall be authorized and supervised by superior superintendents. <p>V. Legal risk management</p> <p>No documents shall be signed with the banks until the legal affairs officers review such documents.</p>
Regular Evaluation	<p>I. Upon delegation by the Board of Directors, the Chairman shall pay attention to monitoring and control of derivatives trading risks at any time.</p> <p>II. The trading unit of the Finance Department shall make statistics and summary of the hedging contents and positions in the middle and at the end of every month, forming an evaluation report on the market price, gains or losses, future risks, position, market status and hedging strategies, which shall, upon review by the supervisor, be submitted to the Accounting Department. The financial transactions shall be evaluated once a week.</p> <p>III. After verifying the transaction contents and market price evaluation in the evaluation report, the Accounting Department will submit the evaluation report together with the profit and loss statement and the transaction line control statement to the Chairman, and make a copy to the Audit Office. The accounting supervisor shall make a report to the Chairman.</p> <p>IV. The Chairman shall evaluate if the current risk management procedures are suitable and indeed follow the established operational procedures based on the received data and the monthly examination results of the Audit Department, and shall report and discuss whether the performance of the derivative transactions conforms to the established operation</p>

	<p>strategies and whether the risks are acceptable by the Company regularly in the report of the Board of Directors.</p> <p>V. If there is any abnormal situation in the market valuation report (if the holding part has exceeded the loss ceiling), the Chairman shall immediately report to the Board of Directors, and shall take necessary measures to deal with it. An independent director shall be present at the meeting and express an opinion.</p>
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Article 19

Where the Company conducts a merger, spin-off, acquisition, or transfer of shares, the Company shall, prior to convening the Board of Directors' meeting to resolve on the matter, engage a Certified Public Accountant, attorney, or securities underwriter to render an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other assets to shareholders, and submit it to the Board of Directors for discussion and resolution. However, merging the subsidiaries in which the Company direct and indirect holds 100% issued shares or amount of capital, or the merging between the subsidiaries in which the Company direct and indirect holds 100% issued shares or amount of capital, do not need to render an opinion on the reasonableness by professionals.

Article 20

The Company participating in a merger, spin-off or acquisition shall prepare a public report to shareholders detailing important contractual content and relevant matters prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding Article when sending shareholders' meeting invitation for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies, participating in a merger, spin-off, or acquisition, fails to convene or pass a resolution due to inadequate quorum, insufficient votes, or other legal restriction, or the proposal is vetoed by the shareholders meeting, the companies participating in the merger, spin-off or acquisition shall immediately make public statement on the reasons, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 21

Unless otherwise prescribed by law or the competent securities authority is notified in advance of extraordinary circumstances and grants consent, the Company participating in the merger, spin-off or acquisition shall convene the Board of Directors' meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, spin-off or acquisition.

Unless otherwise prescribed by law or the competent securities authority 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.

When participating in a merger, spin-off, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:

- I. Basic information of the personnel: including the titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning of any merger, spin-off, acquisition, or transfer of another company's shares or the implementation of the plan prior to disclosure of such information.
- II. Dates of material events: including the dates of signing any letter of intent or memorandum of understanding, retaining a financial advisor or legal counsel, execution of a contract, and the convening of a Board of Directors meeting.
- III. Material documents and minutes: including documents for merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors' meetings.

When participating in a merger, spin-off, acquisition, or transfer of another company's shares, the Company shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report the information set out in subparagraphs 1 and 2 of the preceding paragraph to the Financial Supervisory Commission for recordation via Internet in the specified format.

Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is neither listed on an exchange nor traded in the business office of the securities dealer, the company(s) so listed or traded shall sign an agreement with the Company subject

to the provisions of the preceding two paragraphs.

Article 22

Each and every person participating in or possessing knowledge of the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to the 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, spin-off, acquisition, or transfer of shares.

Article 23

While participating in a merger, spin-off, acquisition, or transfer of shares, the Company shall not arbitrarily alter the share exchange ratio or acquisition price unless under any of the circumstances enumerated below, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:

- I. Capital increase in cash, issuance of convertible corporate bonds, allotment free of charge, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity based securities.
- II. An action such as a disposal of major assets that would affect the Company's financial operations.
- III. Occurrence of an event such as a major disaster or major change in technology that would affect shareholder equity or share price.
- IV. An adjustment where any of the companies participating in the merger, spin-off, acquisition, or transfer of shares, buys back treasury stock.
- V. An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.
- VI. VI. Other conditions stipulated in the contract may be altered and the altered conditions have been publicly disclosed.

Article 24

A contract for participation in a merger, spin-off, acquisition, or shares transfer shall expressly record the rights and obligations of the companies participating in the merger, spin-off, acquisition, or transfer of shares, and also record the matters enumerated below:

- I. Handling of breach of contract.
- II. Principles for handling equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is spin-off.
- III. The amount of treasury stock that the participating companies are permitted under law to buy back after the base date of calculation of the share exchange ratio, and the principles for handling thereof.
- IV. The manner to deal with a change in the number of participating entities or companies.
- V. Preliminary progress schedule for plan execution, and anticipated completion date of the execution.
- VI. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 25

After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or share transfer intends to further carry out a merger, spin-off, 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, spin-off, acquisition, or share transfer; except where the number of participating companies is decreased and a participating company's shareholders' meeting has resolved a decision authorizing the Board of Directors to alter the limits of authority. Such a participating company may be exempted from calling another shareholders' meeting to resolve the matter anew.

Article 26

Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with that non-public company whereby the latter is obliged to comply with the provisions of set forth under Article 21, Article 22 and preceding Article.

Article 27

For acquisition or disposal of assets, provided that one of the following conditions exists, the Company shall publicly announce and file the relevant data and information at the website designated by the competent securities authority in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:

- I. Acquisition or disposal of real property or right-of use assets from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets 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 government bonds or bonds under repurchase and resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.

- II. Merger, spin-off, acquisition, or transfer of shares.
- III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures adopted by the Company.
- IV. For acquisition or disposal of assets which are for operating using, and the trading counterparty are not related party, and the transaction amount meets one of the following conditions:
 - (I) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (II) The public listed companies whose actual paid-in capital reaches NT\$10 billion, and the transaction amount reaches over NT\$1 billion.
- V. 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 is more than NT\$500 million.
- VI. Except stipulated in the preceding five subparagraphs, the asset transactions or investments in mainland China area reaches 20 percent or more of the Company's paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:
 - (I) Trading of government bonds.
 - (II) Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.
Monetary market fund.

The transaction amounts in the preceding paragraphs shall be calculated in accordance with the methods provided below:

- I. The amount of any individual transaction.
 - II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
 - III. The cumulative transaction amount of real property or right-of-use asset acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
 - IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries of companies that are not domestic public companies and file the information in the prescribed format into the information declaration website designated by the competent securities authority by the 10th day of each 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 within 2 days from the date of knowledge and reported in their entirety.

Unless otherwise provided for by other laws, the Company engaging in the acquisition or disposal of assets shall retain the relevant contracts, meeting minutes, registry, appraisal report, and the opinion books by CPA, attorneys, and security underwriters at the Company for at least 5 years.

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 at the website designed by the competent securities authority within 2 days commencing immediately from the date of occurrence of the event:

- I. Change, termination, or rescission of a contract signed in regard to the original

transaction.

II. The merger, spin-off, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

III. Change to the originally publicly announced and reported information

Article 29

The subsidiaries shall establish the procedures for acquisition or disposal of assets according to these Procedures.

I. The Company shall urge its subsidiaries to formulate and implement procedures for the acquisition or disposal of assets in accordance with the relevant standards.

II. The Company shall ensure that subsidiaries independently verify whether the procedures for acquisition or disposal of assets they established meet the relevant standards, and whether the transactions for the acquisition and disposal of assets are processed in accordance with the Procedures.

III. The internal auditors shall review the subsidiary's self-inspection report.

IV. In the event that a subsidiary is not a publicly listed company, the Company shall, on behalf of the subsidiary, carry out relevant information announcement and reporting as stipulated in these Procedures, if necessary.

V. V. With regard to the threshold for announcement or reporting by subsidiaries prescribed in Article 27, Paragraph 1 herein regarding the paid-in capital or total assets, the calculation basis for the threshold shall be the paid-in capital or total assets of the Company.

Article 29-1

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.

Article 30

In the event that the relevant personnel violate these Procedures, they shall be given penalty pursuant to the award and penalty provision in Chapter 8 of the Work Rules announced by the Company.

Article 31

The Company's formation and any amendment to the Procedures for Acquisition or Disposal of Assets shall be adopted by the Audit Committee and the Board of Directors, and then submitted to the shareholders' meeting for approval. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.

When the Company submits the Procedures for Acquisition or Disposal of Assets to the Board of Directors according to the preceding paragraph for discussion, the Board of Directors shall take into full consideration opinion of each independent director, and shall record the consent or dissent opinion of the independent director in the minutes of the Board of Directors' meeting.

The Company's formulation or amendment to the Procedures for Acquisition or Disposal of Assets 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 required in preceding paragraph is not obtained, the Procedures may be approved by more than two-thirds of all directors, and the resolution by the Audit Committee shall be recorded in the minutes of the Board of Directors' meeting.

The "all Audit Committee members" and the "all Directors" in the preceding paragraphs refers to the actual incumbents.