

# **Wowprime Corporation**

## **Regulations Governing the Acquisition and Disposal of Assets**

### Article 1: Purpose

The Regulations are stipulated to protect assets and ensure information disclosure.

### Article 2: Legal basis

These Regulations are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act").

### Article 3: Scope of assets

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

### Article 4: Definition

1. Derivatives: 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 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.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares")

under Article 156, paragraph 8 of the Company Act.

3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that the counterpart and monetary amount of the transaction can be confirmed, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. The amount of transactions shall be calculated as follows:
  - (1) The amount of any individual transaction.
  - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
  - (3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
  - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced or of which an appraisal report from a professional appraiser or a CPA's opinion has been obtained in accordance with these Regulations need not be counted toward the transaction amount.

8. Financial report of the most recent year: Financial statements certified or reviewed by a certified public accountant prior to the date the Company acquires or disposes of the assets.

Article 5: Total amounts of real property and securities acquired by the Company and each subsidiary for non-operating use

The amount limits for the above assets for the Company and each subsidiary are stated as follows:

1. The total amount of the real property not for business use shall not exceed the net worth of the Company.
2. Total investment amounts in long-term or short-term securities shall not exceed the net worth of the Company.
3. The investment amount in a single security shall not exceed 40% of the net worth of the Company.

#### Article 6

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

#### Article 7

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.

#### Article 8: Procedures for acquisition or disposal of real property or equipment

1. Assessment and operating procedures  
Real property or equipment is acquired or disposed of in accordance with the fixed assets program of the Company's internal control system.
2. Trading conditions and quota decision-making process
  - (1) Real property acquired or disposed shall be determined the trading conditions and price by referring to the notice of present value, assessment value, the actual price of nearby real estate transaction with an analysis report presented to the chairman. Each transaction with an amount equal to or less than NT\$ 50 million shall be approved by the chairman and reported at the next board meeting; however, a transaction exceeding NT\$ 50 million must be presented to the board meeting for resolution.
  - (2) Equipment shall be acquired or disposed of by price inquiry, price comparison, price negotiation, or bidding. Each transaction with an amount equal to or less than NT\$ 30 million shall be approved by the stratified unit heads in accordance with the Company's authorization hierarchy; however, transaction exceeding NT\$ 30 million must be presented to the board meeting for resolution.
3. Executive division  
For the acquisition or disposal of real property or equipment, it is presented for approval in accordance with the Company's authorization hierarchy and then

executed by the implementing division or Administration Division.

4. Appraisal reports of real property or equipment

When 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, 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 business equipment, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (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 ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (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.

Article 9: Procedures for acquisition or disposal of securities

1. Assessment and operating procedures

Securities are acquired or disposed of in accordance with the investment process of the Company's internal control system.

2. Trading conditions and quota decision-making process

(1) Security trades at the stock exchange market or over-the-counter market shall be decided by responsible division after referring the market prices. Each transaction with an amount equal to or less than NT\$ 30 million shall be approved by the chairman and reported at the next board meeting with an analysis report on gains/losses on financial assets provided simultaneously; however, each transaction amount exceeding NT\$ 30 million must be presented to the board meeting for resolution.

(2) For securities that are not traded at the stock exchange market or over-the-counter market and have lower risks, such as government bonds, treasury securities, secured corporate bonds, and bond funds, each investment in a single financial asset with an amount equal to or less than NT\$100 million shall be approved by the chairman and reported at the next board meeting with an analysis report on gains/losses on financial assets provided simultaneously; however, each transaction amount exceeding NT\$ 30 million must be presented to the board meeting for resolution.

(3) For long-term financial assets, the net worth per share, profitability, and development potentials shall be valued by referring to the most recently certified or reviewed financial statements of the investment subject. Each transaction shall be approved by the chairman and reported at the next board meeting with an analysis report on gains/losses on financial assets provided simultaneously.

3. Executive division

For the acquisition or disposal of investment in securities, it is presented for approval in accordance with the Company's authorization hierarchy and then executed by the Finance Division.

4. Acquisition of professional opinions

When the Company acquires or disposes of securities shall, prior to the date of occurrence of the event, obtain the most recently certified or reviewed financial statements of the investment subject and use it as a reference for transaction price. For the dollar amount of the transaction reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant to provide an opinion regarding the reasonableness of the transaction price in advance. 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 that have publicly quoted prices in an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

#### Article 10: Procedures for related party transactions

1. 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 in accordance with Article 8, 9, and 11, 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. Besides, when judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

2. Assessment and operating procedures

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 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 domestic money market funds, the Company shall not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and board of directors:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a trading counterparty.
- (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 paragraph 3, subparagraph (1) to (5) of this article.
- (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.
- (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.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding paragraph.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 15, paragraph 1, subparagraph (5), and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors need not be counted toward the transaction amount.

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

3. Assessment of the reasonableness of transaction costs

(1) When the Company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:

- a. 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.
- b. 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.

(2) 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 the preceding paragraph.

(3) When the Company acquires real property from a related party and appraises the cost of the real property in accordance with subparagraph (1) and (2), it shall also engage a CPA to check the appraisal and render a specific opinion.

(4) 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 paragraph 2 and the preceding three subparagraphs do not apply:

- a. The related party acquires the real property through inheritance or as a gift.
  - b. More than 5 years have elapsed from the time the related party signs the contract to obtain the real property to the signing date for the current transaction.
  - c. 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.
- (5) When the results of the Company's appraisal conducted in accordance with paragraph 3, subparagraph (1), (2) are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 3, subparagraph (6). 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:
- a. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - (a) Where undeveloped land is appraised in accordance with the means in the subparagraph (1)~(4), 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.
    - (b) 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.
    - (c) 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.
  - b. 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. Completed transactions for neighboring or closely valued parcels of land aforesaid 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 the date of occurrence of the acquisition of the real property.

- (6) Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with paragraph 3, subparagraph (1)~(5) are uniformly lower than the transaction price, the following steps shall be taken:
- a. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities Exchange Act against the difference between the real property transaction price and the appraised cost, and shall not be distributed or used for capital increase or issuance of bonus shares. When the Company uses the equity method to account for its investment in another company, 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 the Company's equity stake in the other company.
  - b. The audit committee shall comply with Article 218 of the Company Act.
  - c. Actions taken pursuant to a. and b. of this subparagraph 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 has set aside a special reserve and shall 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 a. and b. if there is other evidence indicating that the acquisition was not an arm's length transaction.

#### Article 11: Procedures for acquisition or disposal of memberships or intangible assets

##### 1. Assessment and operating procedures

Memberships and intangible assets are acquired or disposed of in accordance with the investment process of the Company's internal control system.

2. Trading conditions and quota decision-making process

With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the Company's procedures or other laws or regulations, 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.

3. Executive division

For the acquisition or disposal of memberships and intangible assets, it is presented for approval in accordance with the Company's authorization hierarchy and then executed by the implementing division or Finance Division or Administration Division.

4. Professional opinions for memberships and intangible assets appraisal

When 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.

Article 12: Procedures for acquisition or disposal of the claims of financial institutions

Basically, the Company does not acquire or dispose the claims of financial institutions. If the Company plans to acquire or dispose the claims of financial institutions in the future, the Company will present it to the board of directors for approval in advance and then have the assessment and operating procedures regulated.

Article 13: Procedures for acquisition or disposal of derivatives trading

1. Trading principles and strategies

(1) Types of derivatives trading

- a. The derivatives trading which the Company engages in are trading contracts (such as forward contracts, options contracts, futures contracts, interest rate or exchange rate contract, swap contracts, and compound contracts combining the above products) whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests.
- b. Matters relating to bond margin transactions shall be conducted in accordance with the relevant provision of these Procedures. However, bonds under repurchase agreements may not comply with the Procedures.

(2) Hedging operations

Financial derivatives are mainly used for hedging purpose and the selection of instruments shall correlate or associate with the business operation. In order to reduce the overall currency exposures and hedging cost, the currency of the position held shall be the same as the one used for business activities, and the position of the currency (account receivable and payable in foreign currency) shall be balanced. The transaction of specific purpose shall be evaluated carefully and prior approval from the audit committee and a resolution of the board of directors shall be obtained.

(3) Division of authority and duties

a. Finance division

(a) Trader

- i) To establish financial derivative strategies for the Company.
- ii) To evaluate holding of the positions every two weeks, establish trading strategies based on the judgment of the market intelligence and results of risk evaluation, then submit for approval.
- iii) To execute the trading in accordance with the level of authorization and existing strategy.
- iv) If any material incident occurs in the financial market and existing strategies are no longer applicable, new trading strategies shall be proposed and used as the basis for trading upon approval from the president

(b) Financial/ accounting personnel

- i) To confirm transactions.
- ii) To review if the trading is conducted in accordance with the level of authorization and existing strategies.
- iii) To proceed monthly evaluation and submit the report to the president for review and approval.
- iv) To proceed bookkeeping
- v) To report and make public disclosure in accordance with the regulations stipulated by the FSC.

(c) Settlement personnel: to execute the settlement.

(d) Level of approval for derivatives trading

- i) Level of approval required for each transaction of hedging. Each hedging transaction shall be approved by the chairman and reported at the next board meeting
- ii) Transaction of other purposes shall only be preceded upon approval from the board of directors.

iii) With respect to the Company's acquisition or disposal of assets that is subject to the approval of the board of directors under the Company's procedures or other laws or regulations, 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.

b. Internal auditor

Internal auditors shall be aware of the adequacy of the derivative transaction and should issue monthly audit report based on the compliance of the derivative transaction and analysis of the transaction cycle. Shall there be any material violation; a written notice shall be sent to the board of directors.

(4) Performance evaluation

a. Trading with hedging purpose

- i) The evaluation basis is the profit/loss between cost of the currency on the book and derivative transaction.
- ii) To fully comprehend the risks of evaluation, the Company shall conduct evaluation based on the monthly closing.
- iii) Finance division shall provide evaluation of the foreign currency based position, the market trend and analysis of foreign currency to the management for their review.

b. Trading with specific purpose

The evaluation shall be conducted based on the actual profit/loss and the Finance personnel shall prepare financial statements based on the position held for management's review on a periodic basis.

(5) Total transaction amount, and the maximum limit of loss

a. The contract amount

i) Transaction amount for hedging purpose

The Finance Division shall be in control of the currency based position to avoid any transaction risks. The transaction amount for hedging purpose shall not exceed two-thirds of the internal currency based position within the Company. President's approval is required if the transaction amount exceeded the aforementioned limit.

ii) Transaction for specific purpose.

Based on the observation of the market, the Finance Division shall prepare responsive strategies for review and approval from the president and the chairman. The net accumulative contract amount of the transaction for specific purpose shall not exceed US\$ 3 million.

Approval from the board is required and the specified strategy shall be followed if the transaction amount exceeds the limit.

- b. Maximum limit of loss
  - i) The purpose of hedging is to avoid risks; therefore, there is no need to set a limit to the total aggregated loss amount of transactions.
  - ii) The loss of transaction based on specific purpose shall not exceed 15% of the transaction amount. If the loss amount exceeds 10% of the transaction amount, the president shall be notified and responsive actions shall be discussed in the board of directors meeting
  - iii) Loss amount per individual contract shall not exceed US\$100,000 or 15% of the amount of the transaction contract, whichever is lower.
  - iv) Total annual aggregated loss amount of transaction based on specific purpose shall not exceed US\$300,000.

## 2. Measures of risk management

### (1) Credit risk control:

The market is subject to changes of many factors, which may easily cause operational risk of the derivatives. Hence, following principles shall be followed to manage market risk:

- a. Counterparty: Well-known domestic and overseas financial institutions.
- b. Trading Instruments: Financial instruments offered by the above mentioned financial institutions.
- c. Trading amount: The outstanding amount of any single counterparty shall not exceed 10% of the total authorized amount, unless it has been approved by the president.

### (2) Market risk control:

Primarily the open currency market provided by the banks, excluding the option market.

### (3) Liquidity risk control:

To ensure liquidity, financial instruments with high liquidity (the position can be closed at any time) shall be firstly chosen, and financial institutions responsible for trading shall provide sufficient information and have the capability to trade in any markets over any time zone.

### (4) Cash-Flow Risk Control

To maintain stable turnover of the working capital of the Company, the source of the capital for derivative transaction shall be self-funded, and the transaction shall take future capital needs into consideration.

### (5) Operating Risk Control

- a. To comply with the authorized amount, procedures and internal audit

processes.

- b. Different personnel shall be assigned for trading, confirmation and settlement.
- c. Personnel in charge of risk evaluation, monitoring and controlling shall not be in same division as those described in the preceding item, and reporting shall be made to the board of directors or the management who is not responsible for trading or determination of position.
- d. The position held under the derivative trading shall be evaluated once a week, while transaction associated with hedging purpose shall be evaluated twice per month, and the evaluation reports shall be submitted to the management authorized by the board of directors.

(6) Financial instrument risk control

Personnel in charge of the trading shall have sufficient knowledge and professional skills of the financial instrument and shall request the banks to fully disclose associated risks.

(7) Legal risk control

Any documents with financial institutions can only be signed after being reviewed by the legal division or legal counsels.

3. Internal audit system

(1) The Company's internal audit personnel shall periodically make a determination of the suitability of internal control on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading division adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the audit committee shall be notified in writing.

(2) Internal audit personnel shall file the auditing report and the implementing status of annual auditing plans of internal audits to the SEC before the end of February of next year and also shall report the improvement situation for any abnormal affairs to the SEC before the end of May of next year.

4. Periodic evaluation

(1) The board of directors shall authorize high-level managers to periodically oversee and evaluate whether the derivative transactions conform to the transaction policies formulated by the Company, and whether the attendant risk of these transactions is within the capability of the Company. If there are any abnormal situations in the market price evaluation reports (such as the held position has exceeded the loss limit), the high-level manager shall report to the board of directors immediately and take necessary measures to deal with the situation.

(2) The position held under the derivative trading shall be evaluated once a week,

while transaction associated with hedging purpose shall be evaluated twice per month, and the evaluation reports shall be submitted to the management authorized by the board of directors.

5. Supervision and management principles to be observed by the board of directors for derivatives transactions
  - (1) The board of directors shall designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk. The principles are as follows:

Periodically evaluate whether the risk management procedures currently being used are suitable and whether it conforms to these Regulations and procedures for engaging in derivatives trading formulated by the Company.

When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; if the Company has independent directors, an independent director shall be present at the meeting and express an opinion.
  - (2) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
  - (3) The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its procedures for engaging in derivatives trading.
6. The Company, when engaging in derivatives trading, shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors' approval dates, and the matters required to be carefully evaluated under paragraph 4, subparagraph (2) and paragraph 5, subparagraph (1) and (2) shall be recorded in detail in the log book.

Article 14: Procedures for conducting mergers and consolidations, splits, acquisitions, and assignment of shares

1. Assessment and operating procedures
  - (1) When the Company conducts a merger, demerger, acquisition, or transfer of shares, CPA, attorney, and securities underwriter shall be engaged to schedule project timetable and a task force shall be formed to execute the project according to statutory rules and regulations. Prior to convening the board of directors meeting to resolve on the matter, a CPA, attorney, or securities underwriter shall 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 meeting for deliberation and approval.

- (2) The Company 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 subparagraph (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 the 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 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.

## 2. Others

- (1) A 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.

A 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.

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 item a. and b. to the FSC for recordation.

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 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 this paragraph.

- (2) Non-disclosure commitment: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and shall not disclose the content of the plan prior to public disclosure of the information and shall 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.
- (3) Pricing principles for transfer or acquisition of shares: Companies participating in a share transfer 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 shareholders' meeting. Acquisition or share transfer shall 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, spin-off, acquisition, or transfer of shares:
  - a. 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.
  - b. An action, such as a disposal of major assets that affects the Company's financial operations.
  - c. An event, such as a major disaster or major change in technology that affects equity or share price.
  - d. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back

treasury stock.

- e. An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.
  - f. Other terms and conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (4) Content of contract: The contract of the companies participating in the merger, spin-off, acquisition, or share transfer shall comply to Article 371-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act and shall also record the followings:
- a. Handling of breach of contract.
  - b. 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 its spin-off.
  - c. 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.
  - d. The manner of handling changes in the number of participating entities or companies.
  - e. Preliminary progress schedule for plan execution, and anticipated completion date.
  - f. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (5) Changes of companies participating in mergers, spin-off, acquisition and share transfer: After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or share transfer intends further to 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 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.
- (6) Where any of the companies participating in a merger, spin-off, acquisition, or share transfer is not a public company, the Company shall sign an agreement with the counterparty whereby the latter is required to abide by the provisions of subparagraph (1), (2), and (5).

## Article 15: Procedures for public disclosure of information

### 1. Disclosure items and standards

- (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 domestic money market funds.
- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- (4) Where an asset transaction other than any of those referred to in the preceding three subparagraphs, 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:
  - a. Trading of government bonds.
  - b. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.
  - c. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
  - d. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
  - e. Acquisition or disposal by a public company in the construction business of real property for construction use, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
  - f. 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 less than NT\$500 million.

- (5) The amount of transactions above shall be calculated as follows:
  - a. The amount of any individual transaction.
  - b. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
  - c. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
  - d. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
2. Timeline and standards for public disclosure of information  
Should acquisition or disposal of assets meet the standards for public disclosure of information, the Company needs to file and make public announcement within two days from the date of the event.
3. Disclosure procedures
  - (1) The Company shall disclose information into the reporting website designated by the FSC in accordance with the statutory regulations.
  - (2) The Company and on behalf of its non-public subsidiaries shall compile monthly reports on the status of derivatives trading up to the end of the preceding month and enter the information in the prescribed format into the reporting website designated by the FSC by the tenth day of each month.
  - (3) Where an error or omission occurs at the time of public announcement, it is required to correct the error, and all the items shall be publicly announced again.
  - (4) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, reference books, appraisal reports and CPA, attorney, and securities underwriter's opinions at the Company headquarters, where they shall be retained for five years except where another Act provides otherwise.
  - (5) 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 following paragraph, a public report of relevant information shall be made on the reporting website designated by the FSC within two days from the date of occurrence:
    - a. Change, termination, or rescission of a contract signed in regard to the original transaction.
    - b. The merger, spin-off, acquisition, or share transfer is not completed by the scheduled date set forth in the contract.

- c. Change of the publicly disclosed information.
4. Should acquisition or disposal of assets are under any of the circumstances in paragraph 1, subparagraph (1)-(4) and meet the standards for public disclosure of information, the Company shall publicly announce the contents, items to be disclosed in the appropriate format as prescribed by the competent authority by the deadline.

Article 16: The subsidiaries of the Company shall comply with the following regulations:

1. The subsidiaries shall establish the Regulations in accordance with the “Regulation Governing the Acquisition and Disposal of Assets by Public Companies”.
2. Subsidiaries that are not public companies shall obtain approval from the subsidiaries’ board of directors. Where there are amendments to the Regulations, the same approvals shall also be applied; subsidiaries that are public companies shall obtain approval from the subsidiaries’ board of directors and its shareholders’ meetings in compliance with “Regulation Governing the Acquisition and Disposal of Assets by Public Companies”. Where there are amendments to the Regulations, the same approvals shall also be applied.
3. The Company shall disclose information on behalf of subsidiaries that are not public companies should the subsidiaries’ acquisition or disposal of assets meet the standards for public disclosure of information in accordance with the “Regulation Governing the Acquisition and Disposal of Assets by Public Companies”.
4. The paid-in capital or total asset of the Company shall be the standard for determining whether or not the Company shall disclose information on behalf of a subsidiary in the event of the type of transaction specified therein reaches 20 % of the paid-in capital or 10% of the total asset.

Article 17: Penalties

Where the employees of the Company violate the provisions set forth, appropriate penalties shall be carried out in accordance with the relevant regulations of the Company.

Article 18: Implementation and amendments

The Regulations Governing the Acquisition and Disposal of Assets of the Company shall be approved by the audit committee, the board of directors, and the shareholders’ meeting. The same procedure shall apply to amendments of the Regulations. The board

of directors shall take into full consideration each independent director's opinions during discussion. 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.

These Regulations were adopted on April 1, 2010.

The 1st amendment was made on May 20, 2011.

The 2nd amendment was made on March 27, 2012.

The 3rd amendment was made on April 9, 2013.

The 4th amendment was made on April 8, 2014.

#### Article 19: Supplementary provisions

Any unspecified terms in the Regulations shall be subject to relevant statutory rules and regulations.