

TAISUN INT'L (HOLDING) CORP.

Procedure for the Acquisition or Disposition of Assets

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Article 1: Applicable Laws and Regulations

This Procedure is enacted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the Financial Supervisory Commission ("FSC"), Executive Yuan to strengthen assets management and make information publicly available. TAISUN always follows this Procedure to acquire or dispose any assets, unless otherwise provided by other applicable laws and regulations.

Article 2: Applicable Subjects

The term "Assets" as used herein includes the following:

- (I) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities;
- (II) Real property (including lands, houses, buildings, investment property) and equipment;
- (III) Memberships;
- (IV) Patents, copyrights, trademarks, franchise rights and other intangible assets;
- (V) Right-of-use assets
- (VI) Claims of financial Institution (including receivables, bills purchased and discounted, loans and overdue receivables);
- (VII) Derivatives;
- (VIII) Assets acquired or disposed of in connection with mergers, spin-off, acquisitions or transfer of shares in accordance with applicable laws; and
- (IX) Other major assets.

Article 3: Definitions

The terms used herein have the following meaning:

- (I) Derivatives: refer to any forward, option or futures contract, or leverage margin or swap contract with its value derivative from a specific interest rate, financial instrument or commodity price, exchange rate, price or rate index, credit rating or

index, or any other variable, or any combination(s) of such contracts, or any combined contract involving derivatives, or any structured notes, etc. Such forward contract excludes any insurance contract, performance agreement, or any after-sales service, long-term lease, or purchase/sales contract.

- (II) Assets acquired or disposed through mergers, spin-off, acquisitions, or transfer of shares in accordance with applicable laws: refer to any assets acquired or disposed through merger, spin-off or acquisition pursuant to the "Enterprises Mergers and Acquisitions Act", the "Financial Holding Company Act", the "Financial Institutions Merger Act" or any other act, or those through issuance of new shares or transfer of another firm's shares (hereinafter referred to as "Share Transfer") subject to Article 156.6 of the "Company Act".
- (III) Related party or subsidiary: as defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"
- (IV) Professional appraiser: refers to a real property appraiser or other person duly authorized as per other applicable laws to engage in the value appraisal of real property or other fixed assets.
- (V) Date of occurrence: refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of - 3 - boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authority is required, the earlier of the above date or the date of receipt of approval by the Competent Authority shall apply.
- (VI) Investment in an area of mainland China: refers to any investment in an area of mainland China approved by the Investment Commission, Taiwan's Ministry of Economic Affairs (MOEA) or conducted in accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area".
- (VII) Investment entity: refers to any financial holding company, bank, insurance company, securities financial company, trust company, securities dealer engaged in self-operated or underwriting business, futures merchant engaged in self-operated business, securities investment trust enterprise, securities investment advisor and/or fund management company that is incorporated according to laws and regulations and duly administrated by local financial authorities.
- (VIII) Stock exchange: i) domestic stock exchange: Taiwan Stock Exchange Corporation; or ii) a foreign stock exchange: refers to any organized stock exchange market duly administrated by the securities authority of a foreign

country.

- (IX) Business location of securities dealer: i) Business location of a domestic securities dealer: refers to a location with counter particularly set up by the securities dealer for transaction pursuant to the "Regulations Governing Trading of Securities on Over-The-Counter Markets"; ii) Business location of a foreign securities dealer: refer to the business location of a financial institution which is duly administrated by the foreign securities authority and shall be engaged in the securities business.

Article 4: Evaluation and Implementation Procedures

(I) Investment in long and short-term securities

1. TAISUN shall acquire or dispose any investment in long and short-term securities, provided that the Finance and Accounting Division or the President appoints a dedicated person to analyze related benefits and evaluate any possible risks, and relevant implementation procedures should also be handled.
2. TAISUN's acquisition or disposal of securities shall, prior to the date of occurrence of the event, obtain financial statements of or other relevant information on the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 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 publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
3. Scope of authorization for investment in securities:
 - (1) For the purchase and sales of securities which are not traded at TWSE or TPEX:
 - i) if the purchase or sales amount is below NT\$10 million, the President will be authorized to decide such transaction; or ii) if the purchase or sales amount reaches NT\$10 million (inclusive), the President will report to the board of directors for discussion or acknowledgment. Relevant operation procedures shall be fulfilled by the Finance and Accounting Division.
 - (2) The purchase and sales of securities which are traded at TWSE or TPEX shall be performed at the prevailing market price by the Finance and Accounting Division as authorized by the board of directors.

- (3) For utilization of short-term fund, such as bond or currency fund, or stock or bond under repurchase agreement, i) if the purchase or sales amount is below NT\$300 million, the President will be authorized to decide such transaction; or ii) if the purchase or sales amount reaches NT\$300 million (inclusive), the President will report to the board of directors for discussion or acknowledgment. Relevant operation procedures shall be fulfilled by the Finance and Accounting Division.
- (II) TAISUN shall perform derivatives trading and take necessary control actions as set forth in Article 8 hereof, provided that the Finance and Accounting Division or the President appoints a dedicated person to analyze related benefits and evaluate any possible risks, and relevant implementation procedures should also be handled.
- (III) In In acquiring or disposing of any real property or equipment, TAISUN's department in use of such property or the responsible entity shall make a capital expenditure plan in advance, carry out feasibility evaluation regarding the purchase of acquisition or disposal and the expected benefits, fulfill relevant implementation procedures and take necessary control actions as specified in Article 6 hereof. In case of acquisition of real property from a related party, the reasonableness of transaction conditions should be evaluated as per Article 6 and 7 hereof; relevant implementation procedures should be handled, and necessary control actions should also be taken.
- (IV) TAISUN shall perform mergers, spin-off, acquisitions, or transfer of shares and take necessary control actions as set forth in Article 9 hereof, provided that the Finance and Accounting Division or the President appoints a dedicated person to analyze related benefits and evaluate any possible risks, and relevant evaluation procedures should also be taken.
- (V) If the amount of TAISUN's acquisition or disposal of any intangible asset, or the right to use such asset, or memberships is over twenty percent (20%) of its paid-up capital, or more than NT\$300 million, except for a transaction with any domestic government authority, accountants shall be retained to provide their opinions towards the rationality of the transaction value prior to the transaction date; the accountants shall follow "Statement of Auditing Standard No. 20" issued by the Accounting Research and Development Foundation (ARDF).
- (VI) Where TAISUN 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.

(VII) In determining the price of acquisition or disposal of any asset, TAISUN shall adopt the opinions of experts such as professional appraiser and CPA as a reference basis for the transaction price, and shall also follow the rules below as appropriate:

1. In acquiring or disposing any securities that are traded at TWSE or TPEX, TAISUN shall refer to the prevailing price of shares or bonds as a basis for the transaction price.
2. In acquiring or disposing any securities that are not traded at TWSE or TPEX, TAISUN shall consider the net Worth per share, profitability, technology capability, future development potential, market interest rate, interest rate of bond, and the debtor's credit standing, and shall also refer to the latest transaction price.
3. In acquiring or disposing memberships, TAISUN shall consider the expected benefits and refer to the latest transaction price. In acquiring or disposing any intangible asset, such as patent, copyright, trademark, or franchise right, TAISUN shall consider international or market practices, term, and any impacts on its own technology and businesses.
4. The terms and prices for the acquisition or disposal of real property and other fixed assets shall be based on the the publically announced value, appraised value, actual closing prices for or carrying amount of nearby real properties, or the supplier's quoted price. In case of acquisition of real property from a related party, calculation should be performed first as per Article 7 hereof to evaluate the reasonableness of the transaction price.
5. For derivatives trading, the company's business need, transaction conditions of relevant derivatives, stock and foreign exchange markets, interest rate, and the evaluation reports of well-established financial institutions and securities dealers on the future trend of stock market, foreign exchange and interest rates should be taken into account to determine the specific timing, derivatives and amount for trading.
6. In performing mergers, spin-off, acquisition, or transfer of shares, the nature of business, net worth per share, asset value, technology capability, profitability, production capacity and future growth potential should be considered.

(VIII) The transaction amounts referred to in Paragraph 1 and 5 of this article and Article 6 above shall be calculated in accordance with Sub-clause 10.2 and the period for one year shall commence from the date when the transaction takes place, provided, however, that the calculation should exclude any amount for which the

professional appraiser has already issued an appraisal report, or CPA's opinion has already been provided as stated herein.

Article 5: Limits for Investment in Non-Business Use Real Property and Securities

(I) The total amount of TAISUN's investments in non-business use real property may not exceed fifty percent (50%) of the shareholder's equity; and the total amount of investments in securities may not exceed one hundred and fifty percent (150%) of the shareholder's equity. The amount of investment in any single security cannot exceed thirty percent (30%) of the shareholder's equity, unless resolved at the shareholder meeting.

(II) The limits for subsidiaries' investments shall be subject to the following provisions:

1. For the subsidiaries not primarily engaged in the business of investment: i) the total purchase amount of non-business use real property may not exceed fifty percent (50%) of the capital amount or the shareholder's equity, whichever is higher; ii) the total subscription amount of securities may not exceed one hundred and fifty percent (150%) of the capital amount or the shareholder's equity, whichever is higher; and iii) the limit of investment in any single security cannot exceed fifty percent (50%) of the capital amount or the shareholder's equity, whichever is higher.
2. For the subsidiaries primarily engaged in the business of investment: i) the total purchase amount of non-business use real property may not exceed fifty percent (50%) of the total assets; ii) the total subscription amount of securities may not exceed one percent (100%) of the total assets; and iii) the limit of investment in any single security cannot exceed one percent (100%) of the total assets.
3. The limits above shall not apply if an excessive investment amount of such subsidiaries is approved at the board meeting of the Company and submitted to its board of directors for acknowledgment.

Article 6: Asset Appraisal Procedure

For TAISUN's acquisition or disposal of any real property, or other fixed assets, or the right to use such asset, except for any transaction with a domestic government authority, authorized construction on its own or rented land, or acquisition or disposal of any machine or equipment, or the right to use such asset for the business purpose, if the transaction amount is over twenty percent (20%) of TAISUN's paidup capital, or more than NT\$300 million, an appraisal report shall be issued by an appraiser to TAISUN prior to the date of occurrence of the fact; it shall also conform to the following provisions:

- (I) If any price ceiling, specific or special price shall be the basis of the transaction value for special reasons, such transaction shall be approved with the board resolution in advance. In case of any subsequent change in the transaction conditions, the same procedure shall also apply.
- (II) Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless that the appraisal price is higher than the transaction amount in acquisition of asset(s), or the appraisal price is lower than the transaction amount in disposal of asset(s), a certified public accountant (CPA) shall be engaged to perform the appraisal in accordance with the provisions of "Statement of Auditing Standards No. 20" published by the Republic of China Accounting Research and Development Foundation (hereinafter "ARDF") and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - 1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (IV) No more than three months may pass 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 no more than six months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 7: Transactions with Related Parties

(I) Basis of Evaluation and Determination:

When TAISUN 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 according to Article 6, Article 4.1.2, Article 4.5, Article 4.6 and this article, if the transaction amount reaches 10% or more of TAISUN's total assets, TAISUN shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with Article 6, Article 4.1.2, Article 4.5 and Article 4.6.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 4.8.

A related party shall be identified as defined in Article 3.1.3 hereof. When judging

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

(II) Resolution Procedure:

If TAISUN acquires from a related party or disposes of any real property or the right to use such asset, or any asset (other than such real property), in which the transaction amount is over twenty percent (20%) of TAISUN's paid-up capital, or over ten percent (10%) of its total assets, or more than NT\$300 million, the following data shall be submitted by the execution unit to the board of directors for approval and the supervisors' confirmation, and a transactional contract can be signed and the corresponding payment can be made subsequently, except for trading of domestic government bonds, or callable/puttable debentures, or subscription or redemption of money market funds (MMF) issued by a domestic securities investment trust enterprise:

1. The purpose, necessity and anticipated benefit of the property acquisition or disposal;
2. The reason for choosing the related party as a trading counterparty;
3. In respect of acquisition of any real property or the right to use such asset from a related party, information regarding appraisal of the reasonableness of the proposed transaction terms in accordance with Paragraph 3 and 4 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 with TAISUN 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. A valuation report issued by a professional valuation agency or a CPA opinion pursuant to the preceding paragraph; and
7. Restrictive covenants and other important stipulations associated with the transaction.

The transaction amount referred to in the preceding paragraph shall be calculated in accordance with Article 10.2 and the period for one year shall commence from the date when the transaction takes place, provided, however, that the calculation should exclude the amount which has already been submitted for approval by the Audit Committee as well as the board of directors as stated in this Procedure.

If TAISUN and its parent, subsidiaries, or subsidiaries whereby 100% of the shares

issued or total capital is directly or indirectly held are engaged in the following transactions; the board of directors may authorize the Chairman to execute within NT\$300 million, and then report the transaction to the latest board of directors meeting for ratification:

- (1) Acquisition or disposal of any equipment or the right to use such asset for the business purpose; and
- (2) Acquisition or disposal of the right to use any property for the business purpose.

Where the position of independent director has been created, and when a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

If TAISUN establishes the Audit Committee, any such matter shall be approved by more than half of all Audit Committee members first and then submitted to the board of directors for approval. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, such matters could be approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors' meeting.

The term "all Audit Committee members and all directors" mentioned above shall refer to those who are currently in active duty.

(III) Evaluation of the reasonableness of the transaction terms:

1. In acquiring real property or the right to use such asset from a related party, TAISUN shall appraise the cost of the real property in accordance with the provisions of Subparagraphs 3(A) and 3(B) this article and shall also engage a certified public accountant (CPA) to check the appraisal and render a specific opinion.
 - (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer pursuant to applicable laws. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - (2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan;

provided, the actual cumulative amount loaned by the financial institution shall have been seventy percent (70%) or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

(3) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in Subparagraph (1) and (2) above.

2. If TAISUN's acquisition of real property from a related party meets one of the following conditions, the matter shall be handled according to Paragraph 2 of this article, and the preceding subparagraphs shall not apply:

(1) The related party acquired the real property or the right to use such asset by means of inheritance or gift.

(2) The date when the related party acquired such property or the right to use such asset according to the related contract is more than five years earlier than the execution date of this transaction contract.

(3) The real property is acquired through signing of a joint development contract with the related party.

(4) Acquisition of the right to use any properties for the business purpose by and between a public company and/or its parent company and/or subsidiaries, and/or a subsidiary, 100% of whose outstanding shares or total assets are held by such public company directly or indirectly.

(IV) Matters required if the calculated transaction cost is lower than the transaction price: In case of a transaction cost evaluated lower than the transaction price as per the preceding paragraph, the provisions of Subparagraph 5 shall apply, except, under any of the following circumstances, objective evidence is provided and the opinions are issued by a professional real property valuation agency and accountants regarding the rationality:

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

(1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the

average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

(2) For the transaction cases of other floors of the target property or other non-related parties in the adjacent area within one year, the areas are similar and the transaction conditions are also similar through the assessment of the reasonable price differences in floors or areas according to the property business or lease practices.

2. It is demonstrated by TAISUN that the transaction conditions of its property, which is purchased from the related party, or for which the right to use is obtained via a lease, are similar to those of other non-related parties in the adjacent area within one year, and that such property has an area similar to those of other non-related parties' properties.

For the transaction cases in the adjacent area as described in the preceding paragraph, they are all located in the same or adjacent block and less than 500 m away from the target transaction property, or their announced current values are similar. For such similar areas, the area in each transaction case of any other nonrelated party is not less than fifty percent (50%) of the target transaction property area. "Within one year" refers to one year as of the date when TAISUN acquires such property or obtains the right to use such asset.

(V) For TAISUN's acquisition of any real estate or the right to use such asset from a related party, if the transaction cost valued subject to Paragraphs 3 and 4 of this article is lower than the transaction price, the following rules shall apply:

1. TAISUN shall have the special surplus reserve provided regarding the difference between the transaction value and assessed cost of its real property or such asset which TAISUN has the right to use pursuant to Article 41.1 of the "Securities and Exchange Act", and such reserve shall not be used to distribute or turned to increase any stock dividends. If the investor, who has TAISUN's investment evaluated under the equity method, is a public company, the provision for special reserve shall also be made in the shareholding ratio regarding such provision amount pursuant to Article 41.1 of the "Securities and Exchange Act".

The special surplus reserve appropriated shall be used after the impairment loss, disposal, appropriate remedy, or restitution have been recognized for the asset that was purchased at a high price, or after other evidence can assure that a

- unreasonable condition did not exist, and after the approval of the FSC.
2. The independent directors of the Audit Committee shall be subject to Article 218 of the "Company Act".
 3. The processing scenarios set out in Point 1 and 2 of this subparagraph shall be reported at the general meeting of shareholders. The transaction particulars shall be disclosed in the annual report and the prospectus.

The special surplus reserve appropriated or leased by TAISUN according to the regulations above shall be used after the impairment loss, disposal or lease termination, appropriate remedy, or restitution have been recognized for the asset that was purchased at a high price, or after other evidence can assure that a unreasonable condition did not exist, and after approval by the Commission.

Where other evidence shows that TAISUN's acquisition of any real property or the right to use such asset from the interested party does not comply with any common business practice, the two sub-clauses above shall apply.

Article 8: Control and Management of Derivative Product Transactions

(I) Principles and Guidelines of Transaction:

1. Instruments:

TAISUN can have transactions of derivative as defined in Article 3.1.1 of this Procedure, and cannot have any other derivative or transaction without the approval by the board of directors.

2. Management or Hedging Strategy:

TAISUN's derivative product transactions are divided into the transactions for hedging purpose and the transactions not for hedging purpose (i.e. for trading). Financial derivatives are mainly used for hedging purpose and appropriate derivatives shall be selected to avoid risks related to earnings in foreign exchange, expenses, assets or liabilities produced in TAISUN's business operation. In case of changes in the objective environment, TAISUN may conduct non-hedging-purpose derivative transactions, when appropriate, to increase its non-operating income or reduce its non-operating losses. It is imperative to clearly define the transaction type, such as hedging transaction or financial transaction for the pursuit of investment income, which will be the basis of accounting.

3. Authorization/Delegation:

- (1) Financial personnel in charge of trading: such personnel are appointed by TAISUN for derivative transactions and shall work out transaction strategies, execute transaction orders, disclose possible transaction risks, and provide

real-time information for relevant divisions' reference within the scope of authorization.

- (2) Financial personnel in charge of confirmation and settlement: the members of the Financial Division, other than those in charge of trading, shall confirm derivative transactions and shall be in charge of financing and subsequent settlement.
- (3) Accountants: accountants shall perform the accounting duty, maintain transaction records and data, value the derivatives trading positions held at fair market price at regular intervals, and disclose the matters related to derivatives in the financial statements.

4. Transaction Contract Dollar Amount and Loss Control

(1) Transaction Contract Dollar Amount

A. Hedging transaction:

The net exchange or liability position (including expected future net position) after consolidation of assets and liabilities shall be regarded as the hedging cap.

B. Non-hedging-purpose derivative transaction:

Based on the forecasts of market changes, the financial personnel in charge of trading shall work out transaction strategies and provide an analysis report for business needs, clearly stating the market trend, risk analysis, and advice on operation mode and conditions, and cannot carry out such transaction until such report is submitted to and approved by the President.

(2) Loss Control

A. Hedging transaction:

In case of any one of the following conditions after a hedging transaction position is established, relevant suggestions shall be promptly submitted to the President or a supervisor authorized by the President for a decision.

- a. The estimated loss of a single contract exceeds twenty percent (20%) of the transaction contract amount for two consecutive months; or
- b. The estimated losses of all contracts exceed ten percent (10%) of the total transaction contract amount for two consecutive months.

B. Non-hedging-purpose derivative transaction:

After a non-hedging-purpose transaction position is established, a stop-loss point shall be set to prevent any excess loss. For the setting of such stop-loss point: i) the amount of all contract losses shall not exceed forty percent (40%) of the amount of all contracts; and ii) the losses on

individual contracts shall not exceed fifty percent (50%) of the amount of individual contracts, and the amount of such losses shall not be more than NT\$50 million. Once the loss exceeds such preset stop-loss point, relevant suggestions shall be promptly submitted to the President or a supervisor authorized by the President for a decision.

(3) Delegated Amount:

A. Hedging transaction:

Based on the changes in the Company's revenue and risk position, the financial personnel in charge of trading shall be approved by the senior managers authorized by the President to carry out transactions where no cumulative transaction position will exceed the existing hedging position.

B. Non-hedging-purpose derivative transaction:

To reduce risks in transactions: i) a cumulative transaction position below US\$10 million (including equivalent amount in any other currency) shall be approved by the President or any senior manager authorized by the President; and ii) a cumulative transaction position above US\$10 million shall be approved by the President.

5. Essentials of Performance Evaluation

- (1) The Financial Division shall evaluate the profits and losses on various positions at regular intervals based on the variations in the market prices and present the performance records for the management's reference.
- (2) In case of a hedging transaction, the performance evaluation shall be based on the Company's exchange/interest rate cost of the carrying amount and the profit/loss on such derivative transaction.
- (3) In case of a non-hedging-purpose transaction, the performance evaluation shall be based on actual profits and/or losses.

(II) Risk Management Measures:

As TAISUN engages in derivative transactions, the risk management scope and measures are defined as follows:

1. Credit Risk Control: credit risk is controlled by restricting the counterparties that the Company deals with to the financial institutions who either have the relationship with the Company or are internationally renowned and can provide sufficient information.
2. Market/Price Risk Control: the losses arising from the fluctuations in future market prices of derivatives may vary; therefore, the profit and loss conditions shall be monitored continuously after positions are established; once the loss

- exceeds the preset stop-loss point, it shall be reported to the President or a supervisor authorized by the President for a decision.
3. Liquidity Risk Control: liquidity risk should be controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.
 4. Operating Risk Control: delegation systems and operating procedures set forth herein should be employed to control operating risks.
 5. Legal Risk Control: any contracts between TAISUN and financial institutions shall first be reviewed by relevant divisions carefully, or by in-house and/or outside legal counsel before being executed to control legal risks.
 6. Derivative Risk Control: the internal traders shall have complete, correct and professional knowledge about derivatives for transaction to avoid any loss arising from misuse of derivatives.
 7. Cash Flow Risk Control: the authorized traders shall strictly abide by the provisions of delegated amounts and pay frequent attention to the Company's cash flow to ensure sufficient cash for settlement.
 8. The positions in charge of trading, confirmation and settlement should be held by different personnel.
 9. The financial personnel in charge of confirmation shall check the account or perform external confirmations with correspondent bank at regular intervals, and shall verify at any time whether the total transaction amount exceeds the ceiling defined herein.
 10. The personnel in charge of risk measurement, monitoring and control shall work in different divisions from those as described in the preceding two paragraphs, and shall report to the board of directors or the senior managers without the duty of transaction or position decision.

(III) Internal Audit System

1. TAISUN's internal auditors are required to evaluate the appropriateness of the internal control system in connection with financial derivative transactions on a regular basis, to conduct auditing on how well the related divisions follow the "Procedure for Derivative Transactions", and to produce report on a monthly basis. Should there be any material violation found, a report is needed to notify the Chairman and the senior managers designated by the board of directors, and the supervisors shall be informed in writing.
2. Once TAISUN has made a public offering of shares, the aforesaid audit report

and the improvements of abnormal events should be submitted to the Financial Supervisory Commission ("FSC") for reference as scheduled in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies".

(IV) Evaluation and Correction of Abnormal Situation

1. Positions in derivatives transactions shall be evaluated at least once a week. Hedging transactions with business needs shall be evaluated at least twice a month. Evaluation reports shall be combined with the profit and loss and uncovered positions of non-hedging-purpose transactions in the current week or month and then submitted to the President or the senior managers authorized by the board of directors for references in management performance evaluation and risk measurement.
2. TAISUN's President or the senior managers designated by the board of directors shall be accountable for frequent monitoring and control of risks arising from derivative transactions. The board of directors is itself responsible for evaluating the performance and result of derivative transactions on a regular basis to oversee how well they fit in the Company's overall business and operating strategies and to review if the associated risks thereof have exceeded the Company's risk tolerance.
3. The President or the senior managers authorized by the board of directors shall manage the derivative transactions under the following principles:
 - (1) Review at regular intervals the level of adequacy of the current risk management measures and the degree of consistency with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the FSC and this Procedure; and
 - (2) The President shall also be in the course of supervising trading and profit-loss circumstances. Once having identified unusual performances and results, the President shall report to the board of directors immediately and take any necessary actions to correct the situation. Where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.
4. When TAISUN engages in derivative transactions, it shall establish a record of the types and amounts of such transactions, the date of approval by the board of directors, and the careful assessment items outlined in Subparagraph 1 through 3, Paragraph 4 of this article, and the items shall be recorded in a memorandum for future reference.

5. Where relevant personnel are authorized for TAISUN's derivative transactions as provided herein, such matter should be reported to the board of directors upon such transactions.

Article 9: Merger, Spin-offs, Acquisition, or Transfer of Shares

- (I) If TAISUN engages in a merger, spin-offs, acquisition, or share transfer; it shall consult with CPAs, lawyers, or securities underwriters for opinions regarding the reasonableness of the ratio of share exchange, acquisition price, or cash or other assets distributed to shareholders. The transaction shall then be referred to the board of directors for discussion and approval. However, the reasonableness opinion issued by an expert is not required if TAISUN is merging with a subsidiary whereby TAISUN directly or indirectly holds 100% of its shares issued or the total amount of capital, or if the merger is between two of TAISUN's subsidiaries whereby TAISUN directly or indirectly holds 100% of their shares issued or the total amount of capital.
- (II) In participating in a merger, spin-off, acquisition, or transfer of shares, TAISUN shall prepare a report to the members detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the general meeting and include such report together with the expert opinion referred to in the preceding paragraph with the meeting notification of the general meeting to be used as reference on whether to the merger, spin-off, or acquisition shall be approved; provided, where a provision of other applicable laws and regulations exempts TAISUN from having to convene a general meeting to approve the merger, spin-off, or acquisition, the above requirement shall not apply. Where in participation of a merger, spin-off, or acquisition the general meeting 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, TAISUN shall immediately explain the reason, the follow-up measures, and the preliminary date of the next general meeting.
- (III) In participation of a merger, spin-off, or acquisition, the meeting of the board of directors and general meeting shall be convened on the same day of the board meeting and general meeting of the other participating companies to resolve matters relevant to the merger, spin-off, or acquisition, unless otherwise provided by other applicable laws and regulations or the FSC is notified in advance of extraordinary circumstances and grants consent. In participation of a transfer of shares, the meeting of the board of directors shall be convened on same the day of board meeting of the other participating companies, unless otherwise provided by

other applicable laws and regulations or the FSC is notified in advance of extraordinary circumstances and grants consent.

(IV) If a company whose stock is publicly listed or listed over the counter participates in a merger, spin-offs, acquisition, or share transfer, it shall prepare the following information into a complete written record, which shall be retained for five years for future reference; it shall also report the information stipulated in Subparagraph 1 and Subparagraph 2 below in the required format over the Internet and networked systems for review by the FSC within two days from the board of directors resolution (including the day of resolution):

1. Basic identification data for personnel: including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin-offs, acquisition, or transfer of another company's shares prior to disclosure of the information;
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or external legal counsel, the execution of a contract, and the convening of a board meeting; and
3. Important documents and minutes: including merger, spin-offs, acquisition, or share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board meetings.

If a company whose stock is not publicly listed or listed over the counter participates in a merger, spin-offs, acquisition, or share transfer, the company whose stock is publicly listed or listed over the counter shall sign agreements with such party and handle the matter according to the provisions provided by this paragraph.

(V) Share Swap Ratio and Purchase Price:

In participation of a merger, spin-off, acquisition, or transfer of Shares, the Company may not arbitrarily alter the share swap ratio or purchase price unless the following circumstances permitting alteration are stipulated in the contract for the merger, spin-off, acquisition, or transfer of shares and publicly disclosed:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities;
2. An action, such as a disposal of major assets, that affects the Company's financial operations;
3. An event, such as a major disaster or major change in technology, that affects

- the shareholder's equity or share price;
4. An adjustment where any of the companies participating in the merger, spin-off, acquisition, or transfer of shares from another company, buys back treasury stock;
 5. An increase or decrease in the number of entities or companies participating in the merger, spin-off acquisition, or transfer of Shares; and
 6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

(VI) Content of the Contract:

TAISUN's contract for merger, spin-off, acquisition, or transfer of shares shall state the following in addition to the rights and obligations of participating companies as well as the circumstances where the share swap ratio or purchase price should be changed as prescribed above.

1. Handling of breach of contract;
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged;
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof;
4. The manner of handling changes in the number of participating entities or companies;
5. Preliminary progress schedule for plan execution, and anticipated completion date; and
6. Scheduled date for convening the general meeting pursuant to applicable laws and regulations if the plan exceeds the deadline without completion, and relevant procedures.

(VII) Other important matters concerning TAISUN's mergers, spin-offs, acquisitions or transfer of shares:

1. Every person participating in or privy to the Company's 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 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.

2. Spin-off, acquisition, or share transfer with another company, all participating companies shall carry out anew the procedures or legal actions that had originally been completed for the former merger, spin-off, acquisition, or transfer of shares; except that where the number of participating companies is decreased and the general meeting has adopted a resolution authorizing the Board to alter the limits of authority, the participating company may be exempted from calling another general meeting to resolve on the matter anew.
3. If any company participating in merger, spin-off, acquisition, or share transfer transaction is not a public company, the public company shall enter into an agreement with such company; and handle the matter as per Paragraph 3 and 4, Subparagraph 1 and 2, this paragraph of this article.

Article 10: Procedure for Reporting and Announcement

(I) When TAISUN acquires or disposes of assets and if the transaction meets one of the following conditions, the relevant information shall be announced to the website designated by the Financial Supervisory Commission (FSC) within two days from the date of occurrence according to the nature and based on the format and scope prescribed:

1. For the acquisition or disposition of any real estate or the right to use such asset from the interested party, or any asset (other than such real estate), the transaction value is more than twenty percent (20%) of the Company's paid-up capital, ten percent (10%) of its total assets or NT\$300 million, except for trading of domestic government bonds, or callable/puttable debentures, or subscription or redemption of money market funds (MMF) of a domestic securities investment trust enterprise.
2. Mergers, spin-offs, acquisitions or transfer of shares
3. The loss arising from any derivatives transaction is up to the upper limit specified in the applicable procedure already formulated or separate or all agreements.
4. Acquisition or disposal of any equipment or the right to use such asset for the business purpose, and the trading counterparty is a non-related party; the transaction amount meets one of the following provisions:
 - (1) Any public company in which the paid-up capital does not reach NT\$10 billion and the transaction amount exceeds NT\$500 million; or
 - (2) Any public company in which the paid-up capital is NT\$10 billion or more and the transaction amount is NT\$1 billion or more.
5. If any property is acquired by means of authorized construction on its own or

rented land, joint construction and housing allocation, joint construction and profit division, or joint construction and instalment sale, and the counterparty the counterparty is a non-related party, the Company's expected transaction amount shall be more than NT\$500 million

6. Except for the aforesaid five circumstances, the transaction amount of any asset or investment in an area of mainland China is twenty percent (20%) or more of the Company's paid-up capital or over NT\$300 million. However, this provision is not applicable to the following circumstances:

- (1) Trading of domestic government bonds;
- (2) Where the Company is in professional investment business, securities trading on foreign or domestic securities exchanges or over-the-counter markets; or
- (3) Trading of callable/puttable debentures, or subscription or redemption of money market funds (MMF) issued by a domestic securities investment trust enterprise.

(II) The amount of transactions above shall be calculated as follows:

1. The amount of each transaction;
2. Aggregate amount of transactions by and between the Company and the same counterparty within one year for acquisition or disposal of subject matters of the same nature;
3. Aggregate amount of properties or the right to use such assets for the same development plan acquired or disposed within one year (i.e. separate accumulation for acquisitions and disposals); and
4. Aggregate amount of securities of the same nature acquired or disposed within one year (i.e. separate accumulation for acquisitions and disposals). The aforesaid period for one year shall commence from the date when such transaction takes place, provided, however, that the calculation should exclude any amount which has already been announced as set out herein.

(III) TAISUN shall enter the derivative product transaction status engaged by TAISUN and its non-domestic public subsidiary companies into the information reporting website designated by the Financial Supervisory Commission (FSC) before the 10th day of the each month in the format prescribed by the FSC.

(IV) If there are errors or omissions in the announcements made by the Company pursuant to the regulations and corrections are required, all of the items must be re-announced within two days after the - 29 - errors or omissions are discovered.

(V) After the Company has announced and reported a transaction according to Paragraph 1 through 4 of this article and the transaction has any of the following

conditions, the relevant information shall be announced and reported to the website designated by the FSC within two days from the date of the occurrence of the facts:

1. Change, termination, or rescission of a contract signed in regard to the original transaction;
2. The merger, spin-off, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract; or
3. Amendments to or changes in the report previously made to the information reporting website designated by the Commission.

Article 11: Control and Management of Acquisition or Disposal of Assets by Subsidiaries of the Company

- (I) TAISUN's subsidiaries shall also establish their own "Procedure for the Acquisition or Disposition of Assets" pursuant to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". Such "Procedure for the Acquisition or Disposition of Assets" shall be approved by the board of directors and then submitted to the supervisors and presented at the shareholder meeting for approval and implementation. The same applies to their amendments.
- (II) Prior to the 8th day of each month, TAISUN's subsidiaries shall report to TAISUN their derivative transactions ended the last day of the previous month. Prior to the 12th day of each month, such subsidiaries shall also report to TAISUN the information on their acquisition or disposal of assets within the previous month and ended the last day of the previous month.
- (III) If a subsidiary of TAISUN is not a public company, where a threshold for public disclosure as stipulated has been met, TAISUN shall make the relevant disclosure on the designated website as stipulated. For the subsidiary in the preceding paragraph whereby the reporting standard for the announcement and declaration provided by Article 10.1.5 applies, the 20% of paid-up capital or the 10% of total assets of the public declaration rule shall be based on TAISUN's paid-up capital or total assets.

Article 12: Sanctions

Where any officer or manager of TAISUN involved in the acquisition or disposal of assets violates the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or this Procedure, a verbal warning will be issued for the first violation; a written warning will be issued for the secondary violation; in case of repeated or severe violations, the person involved will be transferred to another post, or shall attend the mandatory training program on the internal control system, if necessary; and such violation record will be taken into consideration during the annual individual

performance assessment.

Furthermore, if the board of directors or a director's operation violates relevant provisions and the resolution of the shareholder meeting, the supervisors shall inform the board of directors or such director to cease such violation pursuant to Article 218.2 of the "Company Act". If TAISUN establishes the Audit Committee, the aforesaid duty of the supervisors shall also apply to the Audit Committee.

Article 13: Other Important Disclosures

- (I) For TAISUN's acquisition or disposal of assets, the related agreements, meeting minutes, memorandum books, appraisal reports, and opinions of accountants, lawyers or securities underwriters shall be maintained in TAISUN for at least five years, unless otherwise provided by other laws.
- (II) Regarding any appraisal report issued to TAISUN or any opinion issued by accountants, lawyers or securities underwriters, no such appraiser or valuator, accountant, lawyer or securities underwriter shall be related to the party to such transaction.
- (III) This Procedure and any amendment thereof shall be effective upon the resolution of the board of directors, submission to each supervisor, and the consent of the shareholder meeting. If any director has an objection and such objection is recorded or stated in writing, relevant documents on such objection shall be submitted to the Company's supervisors.

Where the position of independent director has been created, and when this Procedure is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

If TAISUN establishes the Audit Committee, the formulation or amendments of this Procedure shall be approved by more than half of all Audit Committee members first and then submitted to the board of directors for approval. If approval of more than half of all Audit Committee members is not obtained, such matters could be approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors' meeting.

The term "all Audit Committee members and all directors" mentioned in the preceding paragraph shall refer to those who are currently in active duty.

- (IV) If any director has an objection to TAISUN's asset acquisition or disposition which requires the approval of the board of directors pursuant to this Procedure or other

laws and regulations, and such objection is recorded or stated in writing, relevant documents on such objection shall be submitted to TAISUN's supervisors.

Where the position of independent director has been created, and when an acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

If TAISUN establishes the Audit Committee, the transaction of any material asset or derivative shall be approved by more than half of all Audit Committee members first and then submitted to the board of directors for approval. If approval of more than half of all Audit Committee members is not obtained, such matters could be approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors' meeting.

The term "all Audit Committee members and all directors" mentioned in the preceding paragraph shall refer to those who are currently in active duty.

- (V) If TAISUN establishes the Audit Committee, the provisions of Article 7.2, Article 8.3.1, Paragraph 3 and 4 of this article concerning the supervisors shall also apply to the Audit Committee; Article 7.5.2 shall apply to the independent directors of the Audit Committee.

Article 13.1: Stocks of Foreign Companies

For a foreign company stock that has no par value or a par value other than NT\$10, the "20% of the paid-up capital" transaction amount rule prescribed in Article 6, Article 4.1.2, Article 4.5, Article 7.2, Article 10, and Article 11.3 shall be calculated based on 10% of the shareholder's equity.

Article 14: Formulation and Amendment This Procedure and the amendment thereof were approved at the shareholder meeting.