

X-LEGEND Entertainment Corp.

Operational Procedures for Acquisition or Disposal of Assets

Date of Preparation: 2009/06/30
Date of Revision: 2011/06/24
Date of Revision: 2012/06/27
Date of Revision: 2014/06/26
Date of Revision: 2017/06/22

Article 1: Purpose

The Procedure is defined in order to establish the institutionalized regulations governing the Company's acquisition or disposal of assets to ensure that the acquisition and disposal of the Company's assets are evaluated and approved adequately, fulfill the information disclosure and comply with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", unless otherwise provided in any other laws and regulations.

Article 2: The assets referred to herein include the following:

1. Such long-term and short-term investment as investments in stocks, government bonds, corporate bonds, financial bonds, domestic beneficiary certificate, overseas mutual fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities, etc.;
2. Real estate (including land, house & building, investment property and land use right) and equipment;
3. Membership;
4. Such intangible assets as patents, copyrights, trademarks and franchise rights etc.;
5. Claims of financial institutions (including receivables, foreign exchange rebate, loans, and overdue receivables);
6. Derivatives products;
7. Assets are acquired or disposed through merger, spin-off, acquisition, or share transfer in accordance with law;
8. Other major assets.

Article 3: Terms used herein are defined as follows:

1. Derivatives products: refer to forward contracts, option contracts, future contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates,

foreign exchange rates, index or other. The term "forward contracts" excludes insurance contracts, performance contracts, after-sale service contracts, long-term lease contracts, and long-term purchase (sales) agreements.

2. Assets acquired or disposed through merger, demerger, acquisition, or transfer of shares in accordance with law: Refers to assets acquired or disposed through merger, demerger, or acquisition 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 (hereinafter "transfer of shares") under Paragraph 8 of Article 156 of the Company Act.
3. Related party/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 conclusion of contract, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Investment in mainland China: 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. Within one year: refers to one year backwards from the date of acquisition or disposal of the assets, excluding those already made public.
8. Latest financial statements: refers to the financial statements audited or reviewed by certified public accountant ("CPA") which has been published in accordance with applicable regulation before the acquisition or disposal of the assets.
9. 10 percent of total assets: subject to the total assets stated in the most recent parent company only financial report or non-consolidated financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 4: Where the Company obtains an appraisal report or written opinion from a Certified Public Accountant, Attorney-at-law or securities underwriter, such appraiser and appraisal professional, Certified Public Accountant, Attorney-at-law or securities underwriter shall not be a related party with the transaction contracting parties.

Article 5: The Procedure approved by the board of directors shall be submitted to each supervisor and also reported to a shareholders' meeting for approval. The same shall apply where the Procedure is amended. In the event that any director objects with a record or declaration in writing, all documents regarding objection by that director shall be handed over to the supervisors.

The Company has established the position of independent director. When it submits the motion related to the procedure for acquisition or disposal of assets 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; the independent directors' specific opinions of assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 6: Investment in real property not for business use and the limitation of securities
The limits of said assets acquired by the Company and any of its subsidiaries are defined as following:

1. The limit of the real estate not for business use shall not exceed 20% of the Company's net value. And the individual amount shall not exceed 5% of the Company's paid-in capital or more than NT\$100 million, whichever lower.
2. The total investment in long-term and short-term securities shall not exceed 50% of the Company's net value.
3. The investment in individual securities shall not exceed 30% of the Company's net value.

Otherwise, it shall be reported to the board of directors as a special case for resolution.

Article 7: Procedure for Acquisition or Disposal of Real Property or Equipment

1. Evaluation and procedure

The requesting unit personnel shall submit the application to the relevant unit to ask it to evaluate the necessity or reasonability, and apply the Company's internal

control system Property、Plant and Equipment circulation.

2. Procedure for determining transaction conditions and limit of authority, and the units dedicated to implementing the same

(1) Acquisition or disposal of real property shall be based on publicly announced current value by the government, appraised value, prices of deals substantially concluded for real estate in the neighborhood, or appraisal reports issued by professional appraisal organizations.

(2) Acquisition or disposal of equipment shall be carried out through price inquiry, price comparison, price negotiation or tender solicitation.

(3) Acquisition or disposal of real property

The acquisition or disposal amount less than 5% of the Company's paid-in capital or NT\$100 million (inclusive) shall be subject to the prior approval of Chairman of Board. The amount more than 5% of the Company's paid-in capital or NT\$100 million, whichever lower, shall be approved upon resolution of the board of directors.

(4) Acquisition or disposal of equipment

The acquisition or disposal amount less than NT\$5,000,000 (inclusive) authorized general manager decided; more than NT\$5,000,000 but less than 1% of the Company's paid-in capital or NT\$20,000,000 (inclusive) shall be subject to the prior approval of Chairman of Board. The amount more than 1% of the Company's paid-in capital or NT\$20,000,000, whichever lower, shall be approved upon resolution of the board of directors.

The Company's acquisition or disposal of real property or equipment shall be subject to approval by level of authorization referred to in the preceding paragraph, and then executed by the user and management units.

(5) For the Company's acquisition or disposal of assets shall be subject to approval of the board of directors pursuant to the Procedure or any other laws, if a director objects with a record of declaration in writing, all documents regarding objection by that director shall be handed over to the supervisors. The Company has appointed independent directors. When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors as required, 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. Appraisal report on real property or equipment

In acquiring or disposing of real property or equipment where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of machinery and equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser, and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited 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 more than NT\$1 billion, 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 (hereinafter referred to the 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 percent or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (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 be issued by the

original professional appraiser.

- (5) Where the Company acquires or disposes of assets through court auction procedures, the documentary evidence issued by the court may replace the appraisal report or CPA opinion.
- (6) The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 5 of Article 19 herein, and within one year as used herein refers to the year backwards from the date of occurrence of the current transaction, provided that items for which an appraisal report from a professional appraiser or CPA opinion has been obtained may be excluded.

Article 8: Procedure for Acquisition or Disposal of Investment in Securities

1. Evaluation and procedure

The Company shall, prior to the date of occurrence of the event, obtain the most recent period financial statements of the object company, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.

The financial accounting unit shall evaluate the reasonability based on the EPS, profitability, potential of future development, and market conditions, and follow the Company's internal control system investment circulation.

2. Procedure for determining transaction conditions and limitation of authority, and the units dedicated to implementing the same

- (1) Acquisition or disposal of securities through a Stock Exchange Corporation or GreTai Securities Market shall be duly determined based on the listed price or market price prevailing then. Meanwhile, the Company shall obtain the most recent period financial statements of the object company, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.
- (2) For acquisition or disposal of securities through a channel beyond a Stock Exchange Corporation or GreTai Securities Market, the Company shall obtain the most recent period financial statements of the object company, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. The financial accounting unit shall consider the EPS, profitability, potential of future development, and market conditions.
- (3) The securities traded by the Company through a Stock Exchange

Corporation or GreTai Securities Market shall be limited to the bond/balanced or monetary beneficiary certificates, and the acquisition or disposal thereof shall be executed only upon the competent authority's approval of the relevant information submitted by the financial unit. The acquisition or disposal amount less than NT\$20,000,000 (inclusive) shall be subject to the prior approval of the president. The amount over NT\$20,000,000 but less than 5% of the Company's paid-in capital or NT\$100 million (inclusive) shall be subject to the prior approval of the chairman of board. The amount over 5% of the Company's paid-in capital or NT\$100 million, whichever lower, shall be carried out only upon prior approval of the board of directors.

- (4) The securities traded by the Company through channel beyond a Stock Exchange Corporation or GreTai Securities Market shall be reported by the financial unit to the responsible supervisor for approval. The acquisition or disposal amount less than NT\$5,000,000 (inclusive) shall be subject to the prior approval of the president. The amount over NT\$5,000,000 but less than 1% of the Company's paid-in capital or NT\$20,000,000 (inclusive) shall be subject to the prior approval of the chairman of board. The amount over 1% of the Company's paid-in capital or NT\$20,000,000, whichever lower, shall be carried out only upon prior approval of the board of directors.
- (5) For the Company's acquisition or disposal of assets shall be subject to approval of the board of directors pursuant to the Procedure or any other laws, if a director objects with a record of declaration in writing, all documents regarding objection by that director shall be handed over to the supervisors. The Company has appointed independent directors, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors as required, shall take into full consideration of 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. Expert's opinion

- (1) If the amount of acquisition or disposal reaches 20% of the Company's paid-in capital or over NT\$300 million, the Company shall 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 competent securities authority.

- (2) Where the Company acquires or disposes of assets through court auction procedures, the documentary evidence issued by the court may replace the appraisal report or CPA opinion.
- (3) The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 5 of Article 19 herein, and within one year as used herein refers to the year backwards from the date of occurrence of the current transaction, provided that items for which an appraisal report from a professional appraiser or CPA opinion has been obtained may be excluded.

Article 9: Procedure for Acquisition or Disposal of Memberships or Intangible Assets

1. Evaluation and procedure

The Company's acquisition or disposal of memberships or intangible assets shall be carried out in accordance with the Company's internal control system "Procurement and Payment Circulation".

2. Procedure for determining transaction conditions and limitation of authority

- (1) The transaction conditions and price for acquisition or disposal of memberships shall be determined based on the fair market value, and included into an analysis report to be submitted to the president. The acquisition or disposal amount less than 1% of the Company's paid-in capital or NT\$20,000,000 shall be subject to the prior approval of the chairman of board and reported to the most recent board of directors meeting afterwards. The amount over 1% of the Company's paid-in capital or NT\$20,000,000, whichever lower, shall be subject to the prior approval of the board of directors.
- (2) The transaction conditions and price for acquisition or disposal of intangible assets shall be determined based on the expert's appraisal report

or the fair market value, and included into an analysis report to be submitted to the chairman of board. The acquisition or disposal amount less than NT\$5,000,000 (inclusive) authorized general manager decided; more than NT\$5,000,000 but less than 5% of the Company's paid-in capital or NT\$100 million (inclusive) shall be subject to the prior approval of Chairman of Board. The amount more than 5% of the Company's paid-in capital or NT\$100 million, whichever lower, shall be approved upon resolution of the board of directors.

- (3) For the Company's acquisition or disposal of assets shall be subject to approval of the board of directors pursuant to the Procedure or any other laws, if a director objects with a record of declaration in writing, all documents regarding objection by that director shall be handed over to the supervisors. The Company has appointed independent directors, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors as required, shall take into full consideration of 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. Responsible Departments

The Company's acquisition or disposal of memberships and intangible assets shall be subject to approval by level of authorization referred to in the preceding paragraph, and then executed by the user and financial units.

4. Expert's opinion on memberships or intangible assets

- (1) Where 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 ARDF.
- (2) The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 5 of Article 19 herein, and within one year as used herein refers to the year backwards from the date of occurrence of the current transaction, provided that items for which an

appraisal report from a professional appraiser or CPA opinion has been obtained may be excluded.

Article 10: Transactions with related parties

1. When the Company engages in any acquisition or disposal of assets from or to a related party, the procedure for disposal of real property referred to in Article 7 herein shall apply, and if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions about resolution procedure and evaluation on reasonableness of transaction conditions pursuant to the following requirements. When judging whether a trading counterpart is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 5 of Article 19 herein, and within one year as used herein refers to the year backwards from the date of occurrence of the current transaction, provided that items for which an appraisal report from a professional appraiser or CPA opinion has been obtained may be excluded.

2. Evaluation and procedure

When acquiring or disposing real property from or to a related party, or acquisition or disposing of assets other than real property from or to a related party if 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/resale agreements, or subscription or redemption of domestic money market funds that publicly offer and sell by securities investment trust enterprise, the contracts and payments shall only be signed and paid upon the following information be submitted to the board of directors and supervisors:

- (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 counterpart
- (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 Article 10, item 1 and 4 of Paragraph 3

herein.

- (4) The date and price at which the related party originally acquired the real property, the original trading counterpart, and that trading counterpart'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 Paragraph 1.
- (7) Restrictive covenants and other important agreements associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 5 of Article 19 herein, and within the preceding year as used herein refers to one year backwards from the date of occurrence of the current transaction, excluded the items that have been approved by the board of directors and recognized by the supervisors.

With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the upcoming board of directors meeting.

3. Evaluation on reasonableness of the transaction costs

- (1) The Company, intends to acquire real property from a related party, shall evaluate the reasonableness of the transaction costs in the following manners:
 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial

institution shall have been more than 70 percent of the financial institution's appraised loan value of the property and the period of the loan shall have been more than 1 year. 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 either of the manners referred to in the preceding paragraph.
- (3) The Company, to acquire real property from a related party, shall appraise the cost of the real property in accordance with Article 10, item 1 and 2 of Paragraph 3, and shall also engage a CPA to check the appraisal and render a specific opinion.
- (4) When the results of the Company's appraisal conducted in accordance with Article 10, item 1 and 2 of Paragraph 3 herein are uniformly lower than the transaction price, Article 10, item 5 of Paragraph 3 herein shall apply. 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, this restriction shall not apply:
 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) The undeveloped land is appraised in the manner referred to in the preceding paragraph, and buildings according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. "Reasonable construction profit" shall be deemed the average gross operating profit margin over the most recent 3 years of the related party's construction department or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by non-related parties within the preceding one year involving other floors of the same property or neighboring/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.

- (3) Completed leasing transactions by non-related parties for other floors of the same property from within the preceding one year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

2. Where the Company, after 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 and similar sized parcels by non-related parties within one year. Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; "similar sized parcels" in principle refers to transactions completed by Non-related parties for parcels with a land area no less than 50 percent of the property in the planned transaction; The term within one year refers to one year backwards from the date of occurrence of the acquisition of the real property.

- (5) Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 10, item 1 to 4 of Paragraph 3 are uniformly lower than the transaction price, the following three steps shall be taken, the Company and the public company evaluating the investment in the Company under equity method which has set aside a special reserve under the preceding paragraph, may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction and the FSC has given its consent.

1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference

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

2. Supervisors shall comply with Article 218 of the Company Law.
3. Actions taken pursuant to item 1 and 2 of the preceding paragraph shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and investment prospectus.

(6) 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 Paragraphs 1 and 2 of this Article related to the evaluation and procedure, but do not apply the item 1, 2 and 3 in Paragraph 3 of Article 10 related to the evaluation on reasonableness of trading costs:

1. The related party acquired the real property through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to acquire the real property to the date of concluding the contract for the current transaction.
3. The real property is acquired through conclusion 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.

(7) When the Company obtains real property from a related party, it shall also comply with Paragraph 3, item 5 of this Article herein if there is other evidence indicating that the acquisition was not an arm's length transaction.

4. The Company has appointed independent directors. When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to Paragraph 2, 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.

Article 11: Procedure for Acquisition or Disposal of Financial Derivatives

1. Transaction principle and policy

(1) Type of transaction

The financial derivatives traded by the Company refer to the exchange contracts (including forward contracts, futures, interest rate or foreign exchange, et al.) whose value is derived from assets, interest rates, foreign exchange rates or others.

(2) Business or hedging strategies

The Company shall engage in financial derivatives transactions for hedging. The derivatives to be traded shall be primarily applied to hedge the risk generated from the Company's operation. The currency held shall meet the need for foreign currency of the actual import/export of the Company's entire internal position (i.e. foreign currency revenue and expenditure) and self-match, in order to mitigate the Company's entire risk in foreign exchange and save the foreign exchange cost. The transactions for any other specific purposes shall be evaluated with care and may be carried out only upon approval of the board of directors.

(3) Segregation of duties

1. Financial personnel: To be responsible for executing the transactions per the Procedure, and shall collect the market information from time to time, get familiar with the relevant laws and skills to provide the management with sufficient and updated information.

2. Accounting personnel: To be responsible for creating the trading accounts, providing the position report and confirmation of transaction, and produce bookkeeping vouchers according to various documents and receipts to complete the relevant accounting statements.

(4) Total amount of derivatives contracts and loss limit

1. Total amount of derivative contracts

(1) Limit of transactions for hedging

The limit amount of any transaction for hedging carried out by the Company less than NT\$5,000,000 (inclusive) shall be subject to the prior approval of Chairman of Board. Over NT\$5,000,000 shall be approved upon resolution of the board of directors.

(2) Transactions for specific purpose

Subject to the forecast about the changes in market, the financial personnel shall draft the strategy whenever necessary. The strategy shall be submitted to the board of directors for resolution upon the president's prior approval.

2. Loss ceiling

(1) Given that the income/loss offset with hedged position, no loss ceiling is set.

(2) After the position of any trading contract for specific purpose is set, a stop-loss point shall be set to prevent excess loss. The stop-loss point shall be no more than 15% of the given transaction amount or NT\$2,000,000. If the loss is more than 10% of the transaction amount, it shall be reported to the president immediately and consult with the president about countermeasure to be taken.

(5) Performance appraisal

1. Transactions for hedging

(1) The performance shall be appraised based on the income/loss generated between the Company's nominal foreign exchange rate cost and the financial derivatives transactions carried out by the Company.

(2) In order to control and reflect the evaluation risk over transactions, the Company will evaluate income/loss on a weekly basis.

(3) The financial personnel shall provide the president with the foreign exchange position evaluation, market trend and analysis for the management's reference and direction.

2. Transactions for specific purpose

The performance thereof shall be appraised based on the income/loss generated actually, and the financial personnel shall prepare the position statement periodically for the management's reference.

2. procedure

(1) Limit and level of authorization

1. For the limit and level of authorization on the Company's engagement in financial derivatives trading, please see the Company's level of authorization table.

2. In order to enable the Company's authorization management to correspond to the bank's, the change of personnel engaged in the trading

and confirming, if any, shall be notified to the bank immediately, and ask the bank to continue performing the existing agreement between the Company and the bank.

3. The Company shall report to the most recent board of directors meeting after it authorizes the relevant personnel to handle financial derivatives trading in accordance with the Operational Procedures for Derivatives Trading.

(2) Execution unit and trading procedure

1. Execution of transaction: The financial personnel shall complete the "Request Form" , after submitting the same to the responsible supervisor for approval according to the Company's level of authorization, then trade with the bank. Upon completion of each transaction, the relevant documents and statistics of positions and vouchers shall be submitted to the accounting personnel.

2. Recordation of transactions: The accounting personnel shall review the vouchers produced by the financial personnel based on the original transaction documents of the financial unit.

(3) The Company, when engaging in derivatives trading, shall establish a reference book in which details of the types, amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 19, item 2 of paragraph 1 and item 1 of paragraph 2 of Article 20 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies shall be recorded in detail in the reference book.

(4) The Company, after engaging in any derivatives transactions, shall keep all relevant contracts, meeting minutes and reference books at the Company, where shall be retained for 5 years, unless otherwise provided in laws.

3. Risk management policy

(1) Credit risk management

In order to prevent the risk of loss caused by the trading counterpart's default, the following manners shall apply:

1. Trading counterpart: Primarily domestic/foreign renowned financial institutions

2. Traded products: Limited to those released by domestic/foreign renowned

financial institutions

(2) Market risk management

The value of financial derivatives fluctuates depending on various factors in the market. Therefore, for market risk management, the financial personnel shall collect the market information periodically to judge the trend and assess the risk, and report the result to the president as the basis for transactions.

(3) Liquidity risk management

In order to secure the market liquidity, the Company is used to choosing the financial instruments of high liquidity (to be offset in the market at any time). The commissioned financial institution must retain sufficient information and the ability to trade in any market at any time.

(4) Cash flow risk management

In order to ensure the stability of the Company's working fund, the source of fund for the derivatives transactions carried out by the Company is limited to own fund, and the operational amount shall take the funding need by the cash revenue & expenditure forecast for the following 6 months.

(5) Operational risk management

1. To strictly comply with the Company's limit of authorization, procedure and internal audit to avoid operational risk.
2. The functions about derivatives transactions shall be assigned adequately. Personnel engaged in derivatives transactions may not serve concurrently in other operations such as confirmation and settlement.
3. Risk measurement, monitoring, and control personnel shall be assigned to a department different from that of the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel who is not responsible for trading or position decision-making.
4. Derivatives transaction positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

(6) Financial instrument risk management

The personnel dedicated to insider trading shall have complete and correct

knowledge about financial instruments, and ask the bank to disclose the risk fully to avoid misusing financial instruments.

(7) Legal risk management

The documents between the Company and financial institutions shall be concluded officially only after reviewed by such dedicated personnel as foreign exchange and legal affairs staff or legal consultants, in order to avoid legal risk.

4. Internal audit system

The Company's internal audit personnel shall periodically evaluate the suitability of internal controls on financial derivatives and conduct a monthly auditing of how faithfully the related department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is found, all supervisors shall be notified in writing.

5. Periodic evaluation

(1) The board of directors shall authorize high-rank management to periodically supervise and evaluate whether the financial derivatives trading is carried out in accordance with the trading procedure defined by the Company and the risk to be borne by the trading is tolerable. Any unusual performances in the market value appraisal report (such as the position held exceeds the upper limit of loss) shall be reported to the board of directors and the relevant countermeasures shall be taken. The Company has independent directors. Therefore, independent directors shall be present at the board of directors meeting and express their opinions.

(2) Financial derivatives transaction positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

6. The supervision management principles of the board of directors governing financial derivatives transactions

(1) The board of directors shall designate high-rank management to note the supervision and control over derivatives transaction risk in the following manners:

1. Periodically evaluate the risk management measures currently employed

are appropriate and are faithfully conducted in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies".

2. When unusual performances are found in the course of supervising trading and income/loss, appropriate measures shall be adopted and a report immediately made to the board of directors; where the Company has independent directors, independent directors shall be present at the meeting and express opinions.

- (2) Periodically evaluate whether derivatives trading performance is consistent with the existing business strategy and whether the risk undertaken is tolerable by the Company.

Article 12: The Company, to conduct a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors meeting to resolve on the matter, shall engage a CPA, attorney-at-law, or securities underwriter to give an opinion on the reasonableness of the share swap ratio, acquisition price, distribution of cash or other property to shareholders, and submit to the board of directors for discussion and approval. However, it is not required to obtain experts' reasonableness opinion when the Company merges its subsidiaries which are directly or indirectly holds 100% of the issued shares or the capital, or mergers between the Company's subsidiaries which are directly or indirectly holds 100% of the issued shares or the total amount of capital.

Article 13: The Company, when participating in a merger, demerger, acquisition, or transfer of shares, shall prepare a public report to shareholders detailing important contractual content and relevant matters prior to the shareholders' meeting and include the expert opinion referred to in the preceding Article when sending shareholders notification of the 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 requirement shall not apply.

Where the shareholders' meeting of the Company or any one of the companies participating in a merger, demerger, or acquisition fails to be convened, or resolve any motion due to insufficient quorum, insufficient votes, or other legal restrictions,

or the motion is rejected by the shareholders meeting, the Company and the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the date scheduled for the next shareholders' meeting.

Article 14: The Company, when participating in a merger, demerger, or acquisition, shall convene a board of directors meeting and shareholders' meeting on the same day of the transaction to resolve relevant matters, unless otherwise provided in other laws, or special factors, if any, are reported to and approved by the competent securities authority. A company participating in a transfer of shares shall call a board of directors meeting on the same day, unless otherwise provided in other laws, or special factors, if any, are reported to and approved by the competent securities authority.

If the Company, as a company trading at TWSE or GTSM, participates in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a full written record of the following information and retain for 5 years for reference:

1. Personnel's basic information: Including the job titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to the disclosure of the information.
2. Dates of milestones: Including the date of conclusion of any letter of intent or memorandum of understanding, appointment of a financial or legal advisor, execution of a contract, and the date of board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

If the Company, as a company trading at TWSE or GTSM, participates in a merger, demerger, acquisition, or transfer of shares, the Company shall, within 2 days commencing immediately from the date of resolution made by the board of directors, report the information set out in items 1 and 2 of the preceding paragraph to the FSC for recordation in the prescribed format and via the Internet-based information system.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is any company other than those trading at TWSE or GTSM, the

Company shall conclude the agreement with it and apply Article 14, Article 15 and Article 18 herein.

Article 15: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the contents of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 16: The Company, when participating in a merger, demerger, acquisition, or transfer of shares, may not arbitrarily alter the share swap ratio or acquisition price unless under the following circumstances, and shall define the circumstances under which alterations are permitted in the contract:

1. Cash capital increase, issuance of convertible corporate bonds, 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, which affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions in the contract may be altered from time to time and have been disclosed to the public.

Article 17: The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the participating companies and shall also record the following:

1. Response to breach of contract.
2. Principles for treatment of equity 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 which participating companies are permitted under law to buy back after the record date of calculation of the share swap ratio, and the principles for treatment thereof.
4. Response to changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Date scheduled for the shareholders' meeting to be called pursuant to laws when the plan has not yet been completed beyond the specific time limit, and relevant procedures.

Article 18: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that 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.

Article 19: Under any of the following circumstances, the Company, after acquiring or disposing of assets, shall apply for publication of the relevant information on the website designated by the competent securities authority in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event, in the following manners:

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, bonds under repurchase/resale agreements, subscription or redemption of domestic money market funds that publicly offer and sell by securities investment trust enterprise.
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 the type of asset acquired or disposed is equipment for business use, the trading counterpart is not a related party, and the transaction amount is less than NT\$500 million.
 5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.
 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - (1) Trading of government bonds.
 - (2) Trading of bonds under repurchase/resale agreements, subscription or redemption of domestic money market funds that publicly offer and sell by securities investment trust enterprise.
 7. The amount of transactions above shall be calculated as follows:
 - (1) The amount of any individual transaction.
 - (2) The cumulative transaction amount of acquisitions or disposals of the same type of underlying asset with the same trading counterpart within one year.
 - (3) The cumulative transaction amount of real property acquisitions or disposals (cumulative acquisitions/disposals, respectively) of the same development project within one year.
 - (4) The cumulative transaction amount of acquisitions or disposals (cumulative acquisitions/disposals, respectively) of the same security within one year.
- The term within one year as used herein refers to one year backwards from the date of occurrence of the current transaction, excluding items already published in accordance with the procedure.
- The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the disclosure website designated by the

competent securities authority by 10th day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days commencing immediately from the date be informed of.

The Company, after acquiring or disposing of assets, shall keep all relevant contracts, meeting minutes, log books, appraisal reports, and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except as otherwise provided by other laws.

Article 20: Public notice and time limit for reporting

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported as required, a public report of relevant information shall be made on the information reporting website designated by the competent securities authority within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of the contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

Article 21: Information required be publicly announced and reported on acquisitions or disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard for determining whether or not a subsidiary referred to in the preceding paragraph is subject to Paragraph 1, Article 18 herein requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.

Article 22: The Procedure shall be enforced upon resolution of the board of directors and approval of a shareholders' meeting. The same shall apply where the Rules are amended.