

Sercomm Corporation

The Operational Procedures for Acquisition and Disposal of Assets

- Article 1. Purpose and basis:
The Operational Procedures for Acquisition and Disposal of Assets (hereinafter referred to as the “Operational Procedures”) are formulated and amended in accordance with Articles 36-1 of the Securities and Exchange Act, and Tai-Cai-Zheng-1-Zi Letter Number 0910006105 dated December 10, 2002, issued by the Securities & Futures Commission of the Ministry of Finance (SFC) to strengthen asset management and implement information disclosure.
- Article 2. Scope of assets:
- (I) Stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, beneficiary certificates, foreign mutual funds, depositary receipts, call (put) warrants, beneficial interest securities, asset-backed securities, and other long- and short-term investments.
 - (II) Real property (including land, houses and buildings, and 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 institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
 - (VII) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, or compound contracts combining the above products, whose values are derived from assets, interest rates, foreign exchange rates, indexes, or other interests. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
 - (VIII) Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, and other acts, or the shares transferred from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156, paragraph 6 of the Company Act.
 - (IX) Other important assets.
- Article 3. Assessment Procedure:
- (I) When the Company acquires or disposes of any long- or short-term securities or engages in any derivatives transactions, the finance department shall perform an analysis of relevant benefits and evaluate possible risks. For the acquisition or disposal of real property or other assets, responsible divisions shall draft a capital expenditure plan and perform feasibility evaluations about the purpose, and anticipated benefit of the acquisition or disposal of assets, thereof prior to the execution of acquisition or disposal.
 - (II) In acquiring or disposing of securities, the Company shall, prior to the date of event, obtain the issuing company's latest financial reports, or other relevant documents which are certified or reviewed by a certified public accountant for reference in appraising the transaction price. If in any of the following circumstances and the transaction amount reaches 20% of the Company's paid-

in-capital or NT\$300 million or more, the Company shall engage a certified public accountant to provide an opinion with respect to the reasonableness of the transaction price prior to the date of event. However, the requirement does not apply to securities with publicly quoted prices in an active market or where otherwise regulated by the Financial Supervisory Commission.

- (III) In acquiring or disposing of real property or equipment where the transaction amount reaches 20% of the Company's paid-in-capital or NT\$ 3 billion or more, the Company shall obtain an appraisal report from an objective and fair professional appraiser prior to the date of event and shall handle relevant matters in compliance with the asset appraisal procedure of these Operational Procedures.

The term "Professional appraiser" mentioned in the Operational Procedures refers to a real property appraiser or other people duly authorized by law to engage in the value appraisal of real property and other fixed assets.

- (IV) For the Company's merger, demerger, acquisition, or transfer of shares, the Company shall, prior to convening a board meeting to pass a resolution, engage accountants, lawyers, or securities underwriters to provide their opinions regarding the reasonableness of the share exchange ratio, the acquisition price, or the amount of cash or other property distributed to the shareholders, and submit such opinions to the Board of Directors for deliberation.

- (V) The methods of price determination, and the basis of reference for the Company's acquisition or disposal of assets shall, in addition to considering the opinions provided by relevant experts including professional appraisers and accountants as required in the above provision, be in compliance with the following:

1. When acquiring or disposing of securities traded in the centralized securities exchange market or the over-the-counter trading center, the price shall be determined in consideration of the price of the stocks or bonds at the time of trading.
2. When acquiring or disposing of securities not traded in the centralized securities exchange market or the over-the-counter trading center, the price shall be determined in consideration of factors including the net value per share, technical and profitability capability, future development potentials, market interest rate, coupon rates of bonds, and the debtors' creditworthiness, with reference to the most recent closing prices.
3. When acquiring or disposing of memberships, the price shall be determined in consideration of the possible benefits, with reference to the most recent closing prices. When acquiring or disposing of patents, copyrights, trademarks, franchise rights, and other intangible assets, the price shall be determined in consideration of the international or market practice, useful life, and the effects on the Company's technology and business.
4. When acquiring or disposing of real property and other fixed assets, the price shall be determined in consideration of the assessed present value, assessed value, actual closing price or book value of real property in the vicinity, and quote price of suppliers.
5. When engaging in derivatives trading, the price shall be determined in consideration of the trading situation, foreign exchange rates, and interest rates in the futures market.
6. When engaging in merger, demerger, acquisition, or transfer of shares, the price shall be determined in consideration of the nature of the business, net

value per share, asset value, technical and profitability capability, productivity, and future development potentials.

Article 4.

Processing Procedure:

(I) Authorization levels and limits

1. Securities: The President is authorized to conduct the trading in accordance with the Operational Procedures within a certain amount. When exceeding the amount requiring public announcement and regulatory filing, shall report such matter to the Chairman for reference and submit it to the next board meeting for ratification. However, for acquisition and disposal of shares, corporate bonds, or private-placement securities not traded in the centralized securities exchange market or the over-the-counter trading center, with transaction amount exceeding the amount requiring public announcement and regulatory filing, such matter shall be resolved by the board meeting before execution. While mainland China area investment may be executed only after being approved by the shareholders' meetings, or obtaining authorization from the shareholders' meetings, and submitted to the Ministry of Economic Affairs Investment Commission for approval.

The term "Mainland China area investment" refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

2. Derivatives trading

- (A). Hedge trades: Depending on the Company's revenue and changes in the risk positions, the Chairman designates specific personnel to carry out the trades based on the single or accumulated transaction amount according to the following authorization table.

Authorization Table	Single Transaction Amount	Transaction Limit Per Day
Chairman	USD 6 million or more	USD 12 million or more
President	USD 3 to 6 million	USD 6 to 12 million
Supervisor of Financial Management Division	USD 3 million or less	USD 6 million or less

- (B). Non-hedge trades: Specific personnel is authorized to undertake non-hedge trades with approval from the President or the Chairman. The total contract amount for derivatives trading shall not exceed USD 20 million or equivalent.
 - (C). In order to facilitate the Bank's supervision of the authorization, the Bank shall be informed of the authorized personnel.
 - (D). The derivatives trading conducted by the aforementioned authorization shall be carried out in accordance with Article 11 of these Operational Procedures.
3. Related party transaction: Such transactions shall be carried out in accordance with Article 10 of these Operational Procedures.

The term "related party" is as defined in Statement of Financial Accounting

Standards No. 6 published by the ROC Accounting Research and Development Foundation. When judging whether a trading counterparty is a related party, in addition to legal formalities the substance of the relationship shall also be considered.

4. Merger, demerger, acquisition, or transfer of shares: Such matters shall be carried out in accordance with Article 12 of these Operational Procedures.
 5. Others: Other matters shall be handled in accordance with the internal control systems, and the operating procedures of authorization regulations. Transactions with amounts requiring information disclosure pursuant to Article 13, shall be resolved by the board meeting before execution, except that the acquisition and disposal of equipment for business use may be reported to the board meeting for ratification after execution. In case of any event as stipulated in Article 185 of the Company Act, prior approval by resolution of shareholders meeting shall be obtained.
- (II) Regarding the execution unit and transaction process, the execution unit for Company's long- and short-term securities investments and derivatives trading are personnel designated by the finance and accounting department and the Chairman. The execution unit for the real property and other assets are the user departments and relevant responsible units. The merger, demerger, acquisition, or transfer of shares is executed by units designated by the Chairman. After the acquisition or disposal of an asset is evaluated and approved in accordance with relevant rules, the execution departments shall proceed with the transaction procedures, including the signing of the contract, making and collection of payments, delivery, and inspection and acceptance, and handle the transaction in accordance with relating internal control procedures depending on the nature of the asset.

Article 5. Investment scope and limit:

The Company and its subsidiaries may, in addition to the acquisition of assets for business, invest in the acquisition of real property and securities not for business. The amount limits and restrictions are as follows:

- (I) The total amount of real property not for business shall not exceed 50% of the Company's net worth in the most recent financial statements.
- (II) The total amount of investment in securities, or individual amount of securities shall not exceed 50% of the Company's net worth in the most recent financial statements. However, for investments held by persons involved in the establishment of the Company, or persons serving as directors or supervisors, and are planned to be held for long-term, such investments need not be counted toward the total amount.

Article 6.

Unless in the situation that the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion, in acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in-capital or NT\$300 million or more, the Company, unless transacting with domestic government bodies, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of event from a professional appraiser and shall further comply with the following provisions:

- (I) If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should be submitted to the Board of Directors for resolution. The same shall apply to

changes in future trading conditions.

- (II) Where the transaction price reaches NT\$1 billion or more, appraisal reports from two or more professional appraisers shall be required.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction price, or all the appraisal results for the assets to be disposed of are lower than the transaction price, a CPA shall be engaged to perform and render a specific opinion regarding the reason for the discrepancy and the fairness of the transaction price:
 - 1. The discrepancy between an appraisal report and the transaction price reaches 20% or more of the transaction price.
 - 2. The discrepancy between the appraisal reports of two or more professional appraisers reaches 10% or more of the transaction price.
- (IV) No more than three months may elapse between the issuance date of the appraisal report by a professional appraiser and the contract execution date. However, if it is subject to the announced present value of the same period and that is not more than six months away, an opinion can be issued by the original professional appraiser.

Article 7. Unless in the situation that the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion, in acquiring or disposing of securities, the Company shall, prior to the date of event, obtain the issuing company's latest financial reports which are certified or reviewed by a certified public accountant for reference in appraising the transaction price. If in any of the following circumstances and the transaction amount reaches 20% of the Company's paid-in-capital or NT\$300 million or more, the Company shall engage a certified public accountant to provide an opinion with respect to the reasonableness of the transaction price prior to the date of event.

- (I) Acquisition or disposal of securities not traded at the Taiwan Stock Exchange or securities firms.
- (II) Acquisition or disposal of private-placement securities.

Article 8. Where the Company acquires or disposes of membership, intangible assets, or right-of-use assets thereof and the transaction amount reaches 20% of the Company's paid-in-capital or NT\$ 3 billion or more, unless the transaction is conducted with domestic government bodies, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the date of event.

Article 8-1. The calculation of the transaction amounts referred to in the preceding three Articles shall be done in accordance with Article 13, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained in accordance with the Operational Procedures need not be counted toward the transaction amount.

Article 9. Control procedures for the acquisition and disposal of assets by subsidiaries:

- (I) The Company's subsidiaries shall formulate the "Operational Procedures for Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," and the Operational Procedure shall come into effect upon the approval by the Company's Board of Directors. The same shall apply to amendments.
- (II) The subsidiaries' acquisition and disposal of assets shall be handled in

accordance with their own "Internal Control" and "Operational Procedures for Acquisition and Disposal of Assets," and present the information on the assets acquired or disposed of in the preceding month and the situation of derivatives trading as of the end of the preceding month in a written report to the Company before the 5th day of the month. The Company's audit personnel include the subsidiaries' acquisition and disposal of assets in the monthly audit work and include the audit result thereof as a required item for reporting to the Audit Committee and the Board of Directors.

- (III) If the Company's subsidiary is not a domestically listed company, and the transaction amount of its acquisition and disposal of assets exceeds the amount requiring public announcement and regulatory filing, such matter shall be reported to the Company on the date of event, and the Company shall carry out the public announcement and regulatory filing on the designated website.
- (IV) The term "reaches 20% of the Company's paid-in-capital" in a subsidiary's announcement and reporting standards, shall be referred to the Company's paid-in capital.
- (V) The term "subsidiaries" in this article is as defined in Statement of Financial Accounting Standards No. 5 and 7 published by the Accounting Research and Development Foundation.

Article 10. Related party transaction procedure

- (I) When the Company engages in the acquisition or disposal of assets from or to a related party, in addition to complying with Articles 6 through 9 of the Operational Procedures, the Company shall also carry out the resolution procedure in accordance with the following provisions and ensure the reasonableness of the transaction terms.
- (II) Resolution Procedure:
 - 1. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed with the execution of a transaction contract or making any payment before the following information has been submitted by the execution unit and has been agreed upon by the Audit Committee, and submitted for the approval of Board of Directors.
 - (A). The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.
 - (B). The reason for choosing the related party as a transaction counterparty.
 - (C). With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3 Subparagraph 1, and Subparagraph 4 of this Article.
 - (D). The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
 - (E). Monthly cash flow forecasts for the year commencing from the

anticipated month of the signing of the contract, the evaluation of the necessity of the transaction, and the reasonableness of the funds' utilization.

(F). If the transaction amount reaches 10% of this Company's total assets or more, the Company shall also obtain an appraisal report from a professional appraiser or an opinion by the CPA.

(G). Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may delegate the Chairman of the board to decide such matter when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

1. Acquisition or disposal of equipment for business use or right-of-use assets thereof.
2. Acquisition or disposal of real property for business use or right-of-use assets thereof.

When the Company or its subsidiaries that are not public companies in Taiwan involve in a transaction mentioned in Paragraph 1 and the transaction amount reaches 10% of the total capital held by the Company or more, the Company shall report all information specified in Paragraph 1 to the shareholders meeting for approval, and may only proceed to the signing of contracts or payments only after approval. However, the above shall not be subject to transactions between the Company and its subsidiaries, or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 1 and the preceding paragraph shall be done in accordance with Article 13, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that are agreed to by the Audit Committee and approved by the Board of Directors and the shareholders' meeting in accordance with the Operational Procedures need not be counted toward the transaction amount.

(III) Evaluation of the reasonableness of the transaction terms

1. Unless in any of the four circumstances, 1. the related party acquired the real property or right-of-use assets thereof through inheritance or as a gift; 2. more than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction; 3. the real property is acquired through the signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land; 4. the real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital when the Company acquires real property or right-of-use assets thereof from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:

(A). Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate

announced by the Ministry of Finance.

- (B). Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan values of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- 2. 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 the preceding subparagraph.
- 3. When the transaction cost evaluated based on the preceding provision is lower than the transaction price, such matter shall be handled in accordance with Paragraph 3 Subparagraph 4 of the Article unless objective evidence and an appraisal report are issued by the professional real property appraiser and an opinion on reasonableness issued by the CPAs can be obtained.
 - (A). Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with the condition where the undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
- Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices.
 - (B). Where the Company acquiring real property or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of similar sizes by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refer 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; transactions involving similarly sized parcels in principle refer to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.
- 4. Where the Company acquires real property or right-of-use assets thereof from a related party, the results of appraisals conducted in accordance with the preceding article show that the transaction costs are uniformly lower than

the transaction prices, and there are no events as mentioned in Paragraph 3 Subparagraph 3, the following steps shall be taken:

(A). Where the Company acquires real property or right-of-use assets thereof from a related party, the results of appraisals conducted in accordance with the preceding article show that the transaction costs are uniformly lower than the transaction prices, and there are no events as mentioned in Paragraph 3 Subparagraph 3, the following steps shall be taken.

(B). The Audit Committee shall comply with Article 218 of the Company Act.

(C). Actions taken pursuant to Items 1 and 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

5. When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with Paragraph 3 Subparagraph 4 if there is other evidence indicating that the acquisition was not an arms-length transaction.

Article 11.

Derivatives trading procedure

(I) Trading principles and guidelines:

1. Transaction type: The financial derivatives transaction of the Company refers to including forward contracts, options contracts, interest, and foreign exchange rate swaps, futures, and compound contracts combining the above products.
2. Operational or hedging strategies: Transactions in derivatives carried out by the Company consists of transactions for hedging purpose and non-hedging purpose (i.e., for transaction purpose). The strategy shall be of the main purpose of hedging business risks, and the selection of trading products shall be mainly for the hedging of the risks arising from the Company's businesses. In case of any changes in the objective environment, the Company selects appropriate timing to engage in the "non-hedging transactions" of derivatives, in order to increase its non-operating income or decrease its non-operating loss. Furthermore, to the maximum extent possible, the Company shall select financial institutions with which the Company has business dealing as the transaction counterparties in order to avoid credit risk. A derivatives transaction must be clearly defined as a hedging transaction or a non-hedging transaction for earnings on investments prior to the transaction in order to determine the basis of accounting.
3. Segregation of authority and responsibilities
 - (A). Transaction personnel: Is responsible for the derivatives trading of the Company and is designated by the Chairman. The personnel is responsible for the planning of transaction strategy, execution of transaction orders, and disclosure of future transaction risks within the authorized scope, and shall provide timely information for corresponding departments and units as reference.
 - (B). Accounting personnel: Is responsible for the verification of transactions, bookkeeping in accordance with the relating regulations, and safekeeping of transaction records.
 - (C). Financial personnel: Is responsible for the settlement of derivatives trading.
4. Principles for performance evaluation
The performance is evaluated based on the market price appraisal table and

the gains and losses incurred from the contract rate of the derivatives trading.

In order to fully understand and express the evaluation risks of the transactions, accounting personnel shall conduct performance evaluation once a month and present the evaluation of products, and market trend analysis to the senior-level managerial officers as reference for decision making.

5. Contract limit

(A). Hedging transaction: The amount shall, in principle, not exceed the expected revenues in the following year. The part in excess shall be classified as a non-hedging transaction.

(B). Non-hedging transaction: The total contract amount shall not exceed NT\$20 million or equivalent.

6. Maximum loss limit on total trading and for individual contracts

(A). Hedging transaction: The contract loss shall not exceed 30% of the contract amount. This is applicable to total and individual trading contracts.

(B). Non-hedging transaction: The total contract loss shall not exceed US\$800 thousand or equivalent, while individual contract loss shall not exceed US\$100 thousand or equivalent.

(II) Risk management measures:

1. Credit risk management: The Company shall, in principle, select financial institutions and securities brokers with a good reputation and the ability to provide professional information as the trading counterparties.

2. Market risk management: The Company shall trade in markets with fully disclosed quote prices and ensure that the control of transaction limit is compliant with the Operational Procedures.

3. Liquidity risk management: In order to ensure the liquidity of transaction products, the transaction institutions must have sufficient equipment, information, and transaction capability, and focus on products with high liquidity and large transaction volume.

4. Cash flow risk management: In order to ensure the stability of the Company's operating cash flow, the source of funding for derivatives transactions should primarily be the Company's own capital and the operating amount should take into consideration the funding needed in the cash income in the following 3 months.

5. Operational risk management:

(A). The internal transaction personnel shall possess comprehensive and correct professional knowledge about the transacted derivatives in order to avoid losses incurred from misuses of derivatives.

(B). The transaction personnel, confirmation personnel, and operating personnel may not concurrently serve in more than one of these positions.

(C). Personnel involved in risk assessment, monitoring, and control shall belong to departments that are different from those mentioned above and shall report to the Board of Directors or to senior-level managerial officers who are not responsible for making decisions on transactions or derivatives positions.

(D). The derivatives trading positions held shall be evaluated at least once a

week, while hedging transactions for the purpose of business shall be evaluated at least twice a month, and the evaluation report shall be submitted to the senior-level managerial officers authorized by the Board of Directors.

6. Legal risk management: Any contract document to be signed with financial institutions shall be reviewed by the relating personnel and submitted to the senior-level managerial officers for approval before proceeding with the execution.

(III) Internal audit system:

1. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.
2. The Company's audit personnel shall include derivatives trading into the audit plan, report the audit execution results of the preceding year to the Financial Supervisory Commission by the end of February, and submit the improvement status of the abnormalities to the Financial Supervisory Commission for reference no later than the end of May.

(IV) Regular evaluation method and handling of abnormalities:

1. Derivatives transactions shall be evaluated on a monthly basis or when necessary and report the profit or loss as open positions of non-hedging transactions for the month to the senior-level managerial officers designated by the Board of Directors as reference for management performance evaluation and risk assessment.
2. The senior-level managerial officers designated by the Board of Directors shall pay attention to the monitoring and control of risk for transactions of derivatives at all times. The senior-level managerial officers shall also evaluate on a regular basis whether the performance of derivatives transactions is consistent with existing business strategies and whether the risks undertaken are within the Company's tolerance.
3. The senior-level managerial officers designated by the Board of Directors shall manage transactions of derivatives products based on the following principles:
 - (A). Evaluate on a regular basis whether the risk management measures currently in use are appropriately and accurately carried out in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" formulated by the Securities & Futures Institute and these Operational Procedures.
 - (B). Supervise the situation of profits and losses on the transactions, and in case of abnormalities take necessary measures and report to the board meetings immediately. If the Company has established independent directors, the independent directors shall attend the board meeting and express their opinions.
4. When the Company engages in derivatives trading, the Company shall handle such matter in accordance with the procedure formulated by itself, authorize relevant personnel to execute such matter, and report to it to the next board meeting.
5. The Company shall keep a record of the derivatives trading, detailing the type, amount, board meeting approval date, monthly or occasional evaluation

report, and evaluation by the Board of Directors and the senior-level managerial officers authorized by the Board of Directors.

Article 12.

Merger, demerger, acquisition, or transfer of shares procedure

(I) Evaluation and operating procedure

1. The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening a board meeting to pass a resolution, shall engage CPAs, lawyers, or securities underwriters to provide their opinions regarding the reasonableness of the share exchange ratio, the acquisition price, or distribution of cash or other property to shareholders, and submit such opinions to the Board of Directors for deliberation. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
2. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in Paragraph 1 Subparagraph 1 of this Article when sending the shareholders' meeting notification 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 shareholder meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. If any participants of the merger, demerger, or acquisition fail to convene a shareholder meeting, produce a resolution, or the motion is rejected by shareholders due to lack of a quorum, insufficient votes, or other legal restrictions, the participants of the merger, demerger, or acquisition shall immediately announce to the public the causes, the subsequent actions, and the proposed date of the next shareholders' meeting.

(II) Other matters

1. The participant of the merger, demerger, or acquisition shall convene a board meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition unless another act provides otherwise or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent. The participant of a transfer of shares shall call a board meeting on the day of the transaction unless another act provides otherwise or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

- (A). Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to the disclosure of the information.
- (B). Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor,

the execution of a contract, and the convening of a board meeting.

- (C). Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board meetings.
2. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
 3. When the Company participates in a merger, demerger, acquisition, or transfer of shares, it may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
 - (A). Cash capital increase, issuance of convertible corporate bonds, or issuance of bonus shares, corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
 - (B). An action, such as the disposal of major assets, that affects the Company's financial operations.
 - (C). An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 - (D). An adjustment due to the treasury stock repurchased lawfully by any company participating in the merger, demerger, acquisition, or transfer of shares.
 - (E). An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - (F). Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
 4. The contract shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
 - (A). The handling of breach of contract.
 - (B). Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - (C). The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - (D). The manner of handling changes in the number of participating entities or companies.
 - (E). Preliminary progress schedule for plan execution, and anticipated completion date.
 - (F). Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
 5. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a

merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

6. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Paragraph 2 Subparagraphs 1, 2, and 5 of this Article.

Article 13.

Information disclosure procedure

(I) For the acquisition and disposal by the Company and its subsidiaries in any of the following situations, relevant data shall be prepared in the prescribed format based on its nature and publicly announced and filed at the website designated by the Financial Supervisory Commission for future reference within two days counting inclusively from the date of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to the trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
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 these Operational Procedures.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - (A). For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (B). For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
5. Where land is acquired under an arrangement of engaging others to build on 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 furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
6. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million. However, this shall not apply to the following circumstances:
 - (A). Trading of domestic government bonds or foreign bonds with credit rating no less than the sovereign credit rating of Taiwan.
 - (B). Trading of bonds under repurchase and resale agreements, or

subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

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

1. The amount of any individual transaction.
2. The cumulative transaction number of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction number of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction number of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that are announced in accordance with the Operational Procedures need not be counted toward the transaction amount.

(III) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by Financial Supervisory Commission authority by the 10th day of each month.

(IV) If there are any mistakes or omissions made at the time of the public announcement, the Company is required to correct and publicly announce and file all relevant items in their entirety within two days counting inclusively from the date of knowledge of such error or omission.

(V) After the public announcement and regulatory filing at the designated website, if there are any of the following situations, relevant data shall be prepared in the prescribed format based on its nature and publicly announced and filed at the website designated by the Financial Supervisory Commission for future reference within two days counting inclusively from the date of the event:

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

The term "Date of event" refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. However, for investments 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) Information that requires public announcement and regulatory filing on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company. A subsidiary that requires public announcement and regulatory filing, the paid-in capital or total assets of the Company shall be the standard applicable to the paid-in capital or total assets of the subsidiary.

When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.

Article 15. Professional appraisers and appraisal officers, CPAs, attorneys, and securities underwriters who provide the Company with appraisal reports or opinions shall meet the following requirements:

- (I) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since the completion of service of the sentence, since the expiration of the period of a suspended sentence, or since a pardon was received.
- (II) May not be a related party or de facto related party of any party to the transaction.
- (III) If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-discipline standards of the Company's associations and the following:

- (I) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- (II) When executing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- (III) They shall undertake an item-by-item evaluation of the appropriateness, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- (IV) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 16. Penalty

If the Company's personnel who is responsible for the acquisition or disposal of assets violates the Operational Procedures, such action will be handled in accordance with the Company's Work Rules based on the severity of the situation. The penalty record will serve as a reference for an individual's annual performance evaluation.

Article 17.

With respect to the formulation or amendments to these Operational Procedures, and the Company's acquisition or disposal of assets that are subject to the approval of the Board of Directors pursuant to the procedures or other laws, if the Company has established independent directors when such matter is submitted for discussion by the Board of Directors, 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 meeting. If the Company has established the Audit Committee, such matter shall be approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution.

If approval of one-half or more of all audit committee members is not obtained, such matter may be approved if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

Article 17-1. For the calculation of 10% of total assets under the Operational Procedures, the total assets stated in the Company's most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 18. Any matters that are not addressed in the Operational Procedures shall be governed by the relevant laws and regulations, approved by the Audit Committee, then the Board of Directors, and reported to the shareholders' meeting for approval. Subsequent amendments thereto shall be affected in the same manner.

The Operational Procedures were formulated on April 22, 2003, through the resolution of the shareholders' meeting.

The 1st amendment was made on June 15, 2007.

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

The 3rd amendment was made on June 17, 2014.

The 4th amendment was made on June 22, 2017.

The 5th amendment was made on June 12, 2019.

The 6th amendment was made on June 8, 2022.