

TECO Electric & Machinery Co., Ltd.

Procedure for Acquisition or Disposal of Assets

(Summary Translation) This English version is a translation of the Chinese version. If there is any inconsistency or discrepancy between the Chinese and English versions, the Chinese version shall prevail for all intents and purposes.

Article 1 Purpose

This Procedure is established for the purpose of protecting the rights and interests of shareholders and the interests of investors.

Article 2 Legal authority

This Procedure is established pursuant to Article 36-1 of the Securities And Exchange Act and the relevant provision and subsequent revision there of the “Regulations Governing the Acquisition or Disposal of Assets by Public Companies” established by the Financial Supervisory Commission, Executive Yuan (hereinafter “FSC”).

Article 3 Scope of assets

1. The term *marketable securities* include investments in stocks, government bond, corporate bond, financial debenture, mutual fund securities, depository receipts, share warrant certificates, beneficiary securities, asset-back securities and so on.
2. Real property (including land, house & construction, investment real assets, land utilization right and inventory of construction business) and equipments.
3. Membership.
4. Intangible assets, including, patent, copyright, trademark, franchise and so on.
5. Credit claims in financial institutions (including accounts receivable, foreign exchange discount, lending, overdue receivables).
6. Derivatives.
7. Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or assignment of shares.
8. Other important assets.

Article 4 Definition

1. Derivatives means the forward contracts, options contracts, futures contracts, hedge margin contracts, swaps contracts, and compound contracts of the combination of the above the value of which is derived from assets, interest rates, exchange rate, indices or other interests. Forward contracts do not include insurance contracts, performance guaranty contracts, after-sale service contracts, long-term leases and long-term purchase (sale) contracts.
2. Assets acquired or disposed of as a result of legal merger, spin-off, acquisition or

assignment of shares means the assets acquired from or disposed of as a result of a merger, spin-off or acquisition conducted in accordance with the Business Merger and Acquisition Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or the stocks of another company acquired by issuing new shares pursuant to the eighth paragraph of Article 156 of the Company Act.

3. A related party & *subsidiary* means the party defined in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4. A professional appraiser means real property appraisers or any other service which is legally authorized to appraise real property and equipments for business.

5. Date of occurrence means the transaction contracting date, payment date, the entrusted transaction closing date, transfer date, board resolution date or other date on which the transaction counterpart and the transaction value may be sufficiently ascertained, whichever is earlier. Notwithstanding, where the investment must be approved by the competent authority in advance, the date of occurrence shall mean the earlier of the above date applicable and the date of approval by the competent authority.

6. PRC investment means the investment made in the People's Republic of China in accordance with the Regulations Governing Approval of Investments or Technical Cooperation Conducted in the People's Republic of China prescribed by the Investment Commission, Ministry of Economic Affairs.

7. Within one year means the year counted backward from the date of acquisition or disposal of the asset in issue, excluding the items which have been publicly disclosed.

8. The most recent certified financial statements means the latest financial statements certified or audited by a certified public accountant and duly published immediately before the acquisition or disposal of assets in issue.

Article 5

Limit on investment in non-business purpose real property and marketable securities

The limits on the above assets acquired by the Company are as follows:

1. Non-business purpose real property: The total investment amount shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements. The total amount of investment in any specific short-term securities shall not exceed 5% of the amount of the above shareholders' equity.

2. Long- and short-term securities: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements.

3. The total amount of investment in any specific marketable securities (means the original investment amount) shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements.

The limits on the total amount of the above asset acquired by a subsidiary of the Company are as follows:

1. Non-business purpose real property: The total amount shall not exceed 20% of the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned. The total amount of investment in any specific short-term securities shall not exceed 5% of the amount of the above shareholders' equity.

2. Long- and short-term securities: The total investment amount (means the original investment amount) shall not exceed the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned.

3. The total amount of investment in any specific marketable securities (means the original investment amount) shall not exceed 30% of the amount of shareholders' equity represented in the most recent certified financial statements of the subsidiary concerned.

Article 6

No appraiser, certified public account, legal counsel or securities underwriter who has provided the Company with the appraisal report or opinion may involve in the transaction in issue as a related party. Nor shall the transaction counterpart be a related party in the transaction.

Article 7 Procedure for acquisition or disposal of real property or equipments

1. Evaluation and procedure of operation

Acquisition or disposal of real property and equipments by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of fixed assets.

2. Procedure for determining the terms of transaction and approval of transaction

2.1 The terms and transaction price of the acquisition or disposal of real property shall be determined by reference to, among others, the posted current value, appraised value, and the actual transaction price of other real property located nearby. Transactions with a value of less than TWD50 million may precede with the approval of the President. Transactions with a value of between TWD50 million and TWD100 million each may proceed with the approval of the Chairman of the Board of Directors and shall be reported to the immediately subsequent meeting of the Board of Directors. Transactions with a value of over TWD100 million must be approved by the Board of Directors in advance.

2.2 Acquisition or disposal of equipments shall be conducted by way of issuing request for proposal, price competition under restricted tendering, and price negotiation under single tendering or bidding. The approval thereof shall be in accordance with the Schedule of Functions and Authority compiled pursuant to the relevant bylaws of the Company.

2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.

3 Unit in charge of execution of transaction

Upon approval of the proposed acquisition or disposal of real property or equipments pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof.

4. Appraisal report on real property or other fixed asset

Where the transaction value of the acquisition or disposal of real property or equipments amounts to 20% or more of the paid-in capital of the Company or TWD300 million or more, an appraisal report produced by a professional appraiser must be obtained before the date the fact happens in accordance with the following, except in cases where the transaction counterpart is a government agencies, or the transaction is an entrusted construction project on a self-owned land or a leased land, or the objects to be acquired or disposed of is equipment for business purpose.

4.1 Where the transaction price shall be determined by reference to any restricted, designated price or special price for whatever special reason, the transaction and all subsequent changes to the terms thereof (if any) must be submitted to the Board of Directors for approval in advance.

4.2 Where the transaction value amounts to TWD1 billion or more, the appraisal shall be conducted by two or more professional appraisers.

4.3 If the appraisal conducted by the professional appraiser runs into either of the following conditions, except the appraisal value of the acquired assets is higher than the trading value or the appraisal value of the disposed assets is lower than the trading value, subsequent handling by certified public accountant in accordance with the No. 20 Statement of Financial Accounting Standards published by Accounting Research and Development Foundation (ARD Foundation) should be sought for as well as its opinion with respect to the reasons accounting for the price difference and the acceptability of the transaction price:

4.3.1 The amount difference between the appraised value and the transaction value amounts to 20% of the transaction value.

4.3.2 The amount difference among the appraised values as a result of the appraisals conducted by two or more professional appraiser's amounts to 10% or more of the transaction value.

4.4 The appraisal report date and the date of creation of the transaction contract conducted by professional appraiser must not be apart for more than 3 months. Notwithstanding, if the same posted present value has been adopted to calculate the value and the above two dates are less than 6 months apart, the written opinion of the original professional appraiser may be sought.

4.5 Where the Company has acquired or disposed of the asset by auction by the court, the relevant written evidence document issued by the court may operate in place of the appraisal report or certified public accountant's opinion.

5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can not be included.

Article 8

Procedure for acquisition or disposal of marketable securities

1. Evaluation and procedure of operation

Trading of long- or short-term securities by the Company shall be in accordance with the Company's internal control policy pertaining to the revolving of investments. Acquisition or disposal of long-term securities mentioned in the procedure refers to the holding of over 20% stake or long-term equity investment. Acquisition or disposal of long-term securities

mentioned in the procedure refers to the holding of over 20% stake or long-term equity investment in a company.

2. Procedure for determining the terms of transaction and approval of transaction

2.1 For acquisition and disposal of long-term securities, the execution unit should evaluate transaction conditions and authorized quota before submitting its proposal to the board of directors for approval.

2.2 For acquisition and disposal of short-term securities, the execution unit should evaluate the transaction conditions and authorization quota before carrying out the move according to “Measures for the Management of Short-term Investment.”

2.2.1 Purchasing and selling short-term marketable securities traded on the stock exchange or over-the-counter market shall be judged and determined by the responsible financial unit according to the market. The limits on the total investment amount and the amount of investment in any specific securities are as follows:

Securities	Limit	Limit on specific securities
Domestic finance bills Foreign finance bills		TWD600 million TWD600 million
Negotiable certificates of deposit Time deposit		TWD600 million TWD600 million
Open-end bonds funds	TWD2 billion	TWD500 million
Mutual funds (excluding open-end bonds mutual funds)	TWD1 billion	TWD100 million
Stocks traded on stock exchanges, over-the-counter market and relevant securities	TWD1 billion	TWD100 million
Share warrant certificates	TWD1 billion	TWD5 million

2.2.2 For purchase or sale of short-term marketable securities not traded on the stock exchange or over-the-counter market, the most recent certified financial statements of the target company must be obtained for an as reference for evaluating the transaction price for an analysis on, among others, the per share net value, profitability and potentiality of the objective company. The above proposed purchase or sale proposed must be submitted transaction conditions and authorization quota to the board of directors for approval in advance.

2.3 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to all Supervisors. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director (if any) shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.

3. Unit in charge of execution

Upon approval of the proposed acquisition or disposal of long- or short-term investment in securities by the Company pursuant to the preceding paragraph, the Corporate Finance & Management Division shall take charge of the execution thereof.

4. Expert opinion

4.1 For acquisition or disposal of marketable securities, the company should obtain the audited or reviewed financial statement of the target companies as the reference for transaction price, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million, certified public accountant's opinion shall be sought for with respect to the acceptability of the transaction price before the date the fact happens. In case CPA needs to adopt the report of experts, auditing criteria No. 20 publicized by Accounting Research and Development Foundation should be followed, except in cases where there is an active public quote on the subject securities or where the subject securities belongs to any of the following:

4.1.1 securities obtained on contribution of cash capital to the establishment of an entity by promoters or by placement.

4.1.2 securities issued at par value on the legal capital increase of an invested company.

4.1.3 securities issued on the cash capital increase of a 100%-owned invested company.

4.1.4 securities traded on the stock exchange, Over-the-Counter Market or on the GreTai Securities Market.

4.1.5 government bonds or bonds with re-purchase, re-sale agreements.

4.1.6 domestic or offshore mutual funds

4.1.7 corporate securities listed on the stock exchange or traded on the GreTai Securities Market to be acquired or disposed off pursuant to the Regulations Governing Purchase of Listed Securities by Tender Offer or by Auction of the Taiwan Stock Exchange Corporation or the GreTai Securities Market.

4.1.8 stocks of public companies issued on cash capital increase but not under private placement

4.1.9 the request for purchase of which was submitted prior to the establishment of the mutual fund as provided in the first paragraph of Article 11 of the Securities Investment Trust and Consulting Act and the Order of 1 November 2004 issued by the Financial Supervisory Commission (ref. Jin-Guan-Si-Tze No. 0930005249).

4.1.10 newly purchased or re-purchased domestic private equity, the scope of investment of which is identical with that of publicly raised mutual funds except the investment strategy with respect to securities credit trading and position of the un-covered products relating to the securities as indicated in the relevant trust agreement

4.2 Where the subject asset is acquired or disposed of by auction in the court, the appraisal report or certified public accountant's opinion may be replaced by the relevant certifying document issued by the court.

5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.

Article 9

Transaction with related parties

1. In addition to the procedure for acquisition or disposal of assets from a related party provided in Article 7-11, requirements with respect to the procedure of approval and evaluation of the acceptability of the terms of transaction. According the stipulations of article 7-11 of the handling procedure, when the trading value exceeds 10% of the company's total assets, the appraisal report of professional appraisers or the opinions of CPA should be obtained. The substance of the relationship other than the formation as a legal matter must be considered when determining whether the transaction counterpart is a related party

2. Evaluation and procedure of operation

Acquisition or disposal of real property from a related party, or acquires r disposes non-property assets with related parties and the trading value exceeds 20% of the company's paid-in capital, 10% of total assets, or NT\$300 million, must be approved by the Board of Directors based on the materials on the following matters and ratified by the Audit Committee in advance to sign the transaction contract and make payment:

2.1 The purpose, necessity and anticipated efficacy of the proposed acquisition or disposal of assets.

2.2 The reason for selecting the related party in issue as the transaction counterpart.

2.3 Acquiring real property from related parties, the evaluation materials regarding the acceptability of the proposed terms of transaction produced pursuant to paragraphs .1 and 3.4 of this Article.

2.4 The acquisition date and the transaction price at which the related party acquired the subject real property and the related party's transaction counterpart in that transaction and the relationship between them.

2.5 Forecast on the statement of receipts and disbursements of cash within one year from the month of the proposed contract signing date, and an evaluation of the necessity of the proposed transaction and the acceptability of the application of the relevant funds.

2.6 Obtain the appraisal report of professional appraisers or the opinions of CPA according to item 1 of the Article9.

2.7 The restrictions and other important arrangements on the transaction.

The aforementioned trading value should be calculated according to item 1-5 of Article 15. The one-year period refers to the one year before the date for the implementation of the trading. The trading which has been submitted to the board of directors for approval and the auditing committee for acknowledgement can be excluded.

The opinion expressed by the Independent Directors each at the relevant meeting of the Board of Directors convened for discussing according to the previous two items, transaction proposed pursuant to the preceding paragraph shall be sufficiently considered. Opposition or qualified opinion expressed by the Independent Director shall be clearly indicated in the minutes of the relevant meeting of the Board of Directors.

The board of directors could authorize the chairperson to make decision for acquiring from, or disposing with, related parties equipment whose value falls within a certain scope.

3. Evaluation of acceptability of the transaction cost

3.1 The acceptability of transaction cost of the proposed acquisition of real property by the Company from a related party shall be evaluated in accordance with the following:

3.1.1 The transaction cost shall be the sum of the proposed transaction price plus the necessary capital interest and the legal cost to be incurred by the buyer. *Necessary capital interest* shall be calculated according to the weighted average interest rate on loans extended to the Company in the year of the purchase of the real property, provided that the said interest rate shall not exceed the maximum non-financing borrowing interest rate announced by the Ministry of Finance.

3.1.2 Where the related party has mortgaged the subject real property to any financial institution, the total value adopted by the financial institution to determine the line of credit shall be taken into account, provided that the accumulated amount of the actual advanced credit on the subject real property has amounted to 70% or more of the line of credit for over one year except in cases where the financial institution is a related party to the related party in issue or vice versa.

3.2 Where the subject real property comprises the land and the building thereon, the transaction cost of the land and the building may be evaluated separately according to any of the methods provided in the preceding paragraph

3.3 The cost of the real property to be acquired by the Company from a related party shall be evaluated in accordance with paragraph 3.1 and 3.2 of this Article and review and workable opinion by a certified public accountant on such evaluation should be sought for.

3.4 Where the values of the real property to be acquired by the Company from a related party in conclusion of the evaluation pursuant to paragraphs 3.1 and 3.2 of this Article respectively both are lower than the proposed transaction price, paragraph 3.5 of this Article shall apply except in the following cases where objective evidence has been produced and workable opinion has been sought for from the professional appraiser and a certified public on the acceptability of the transaction price:

3.4.1 The related party has acquired or leased a vacant land to build the building and evidence has been produced to prove fulfillment of any of the following:

3.4.1(1) The sum of the value of the vacant land appraised according to the method provided in the preceding Article and the value of the building appraised as the total of the construction cost incurred by the related party plus reasonable construction profit exceeds the actual transaction price. Reasonable construction profit shall be determined based on the average gross margin ratio of the construction department of the related party in the past three years or the gross margin ratio applicable to the construction industry published by the Ministry of Finance, whichever is lower.

3.4.1(2) The terms of the proposed transaction are considered acceptable by reference to the successful transactions of the other floors of the same building or nearby buildings concluded by non-related parties, each of which is of similar square measure to that of the subject real property, and the term of such successful transactions are considered comparable to the relevant terms of the proposed transaction according to the common practice of real property transaction applicable to the area.

3.4.1(3) The terms of the proposed transaction are considered acceptable by reference to the successful leases of the other floors of the same building or nearby buildings concluded by non-related parties within one year and the terms of such successful leases are considered comparable to the relevant terms of the proposed transaction according to the

common practice of real property leases applicable to the area.

3.4.2 The Company has produced evidence to prove the terms of the proposed purchase of real property from a related party are comparable to the terms of successful transactions of nearby real property of similar square measure which were concluded by non-related parties within one year. Successful transaction of nearby real property means the successful transaction of a real property which is located in the same block as the subject real property and within a radius of 500 meters from the subject real property or the posted present value of which is similar to that of the subject real property. Of similar square measure means, basically, the square measure of the real property in the successful transaction concluded by a non-related party being referred to is no less than 50% of the square measure of the subject real property. Within one year means within the year immediately preceding the date of occurrence of the proposed transaction.

3.5 Where the values of the real property to be acquired by the Company from a related party appraised in conclusion of the evaluation pursuant to paragraphs 3.1 and 3.2 of this Article respectively both are lower than the proposed transaction price, the Company shall act in accordance with the following:

3.5.1 The Company shall appropriate an amount equal to the difference between the transaction price and the appraised cost of the real property for special earnings reserve pursuant to the first paragraph of Article 41 of the Securities and Exchange Act, which shall be set aside from distribution or new issues of shares for capital increase. Investors who recognize their investment in the Company on equity method and who are public listed companies shall also appropriate an amount equal to the recognized value according to the shareholding percentage for special earnings reserve pursuant to the first paragraph of Article 41 of the Securities and Exchange Act.

3.5.2 Audit Committee shall act in accordance Article 218 of the Company Act.

3.5.3 The result of handling pursuant to paragraphs 3.5.1 and 3.5.2 of this Article shall be reported to the Shareholders Meeting and the particulars of the transaction shall be disclosed in the relevant annual report and the prospectus.

The special earnings reserve set aside pursuant to the above shall not be applied for use without the prior approval by the Financial Supervisory Commission until the loss from depreciation arising from the purchase of the asset by paying a high premium price is duly recognized, disposed of, appropriately made up, restored or there being no other evidence challenging the acceptability issue.

3.6 Acquisition of real property by the Company from a related party will be forthwith handled in accordance with paragraphs 1 and 2 of this Article in any of the following cases, in which case paragraphs 3.1, 3.2 and 3.3 of this Article regarding evaluation of acceptability of the transaction cost shall not operate:

3.6.1 The related party has acquired the subject real property by inheritance or as a gift.

3.6.2 Over five years has lapsed since the related party signed the contract on acquisition of the subject real property.

3.6.3 The related party acquired the subject real property under a signed joint construction contract with its related party or entrustment of related parties for realty constructions, either on own land or leased land.

3.7 In case there is any evidence proving any irregularity of the proposed transaction for the Company to acquire the subject real property from a related party, the Company shall still act in accordance with paragraph 3.5 of this Article.

Article 10 Procedure for acquisition or disposal of membership

The Company will, in principle, not conduct acquisition or disposal of memberships. Should any such transaction be proposed in the future, the Company shall submit the proposal to the meeting of the Board of Directors for approval and, thereafter, lay down the procedure for the evaluation and operation thereof.

Article 11

Procedure for acquisition or disposal of intangible assets

1. Evaluation and procedure for operation

The acquisition or disposal of intangible assets by the Company shall be conducted in accordance with the Company's internal control policy pertaining to the revolving of fixed assets.

2. Terms of transaction and procedure for approval of transaction

2.1 The terms and transaction price of the proposed acquisition or disposal of intangible assets shall be determined by reference to the evaluation report produced by an expert or the fair market value. Transactions with a transaction value of less than TWD30 million each may proceed with the approval of the President. Transactions with a value of between TWD30 million and TWD60 million may proceed with the approval of the Chairman and shall be reported to the immediate subsequent meeting of the Board of Directors. Transactions with a value of over TWD60 million each must be approved by the Board of Directors in advance.

2.2 Where the acquisition or disposal of assets by the Company in accordance with the relevant procedure or other laws must be approved by the Board of Directors in advance, the opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. On the acquisition or disposal of assets duly proposed to the Board of Directors for approval, opinion expressed by the Independent Director shall be sufficiently considered with their concurrence or dissent expressed and the reason therefore duly recorded in the meeting minutes.

3 Unit in charge of execution of transaction

Upon approval of the proposed acquisition or disposal of membership or intangible assets or other fixed assets pursuant to the preceding paragraph, the responsible department and the Corporate Finance & Management Division shall take charge of the execution thereof.

4 Expert evaluation report on membership or intangible assets

Except the transaction with government agencies, where the transaction value of the acquisition or disposal of membership or intangible asset by the Company amounts to 20% of the paid-in capital of the Company or TWD300 million, the opinion of a certified public accountant on the acceptability of the proposed transaction price should be sought for before the date the fact happens, who shall act in accordance with the No. 20 Statement of Auditing Standards published by the ARD Foundation.

5. The aforementioned trading value should be calculated according to Article 15.1.5. The period is the one year before the occurrence of the trading. The obtaining of appraisal report or CPA's opinions can be excluded.

Article 12

Procedure for acquisition or disposal of credit claims in financial institutions

The Company will, basically, not conduct the transaction of acquiring or disposing of credit claims in financial institutions. Should any such transaction be proposed in the future, the Company shall submit the proposal to the meeting of the Board of Directors for approval and, thereafter, lay down the procedure for the evaluation and operation thereof.

Article 13

Procedure for acquisition or disposal of financial derivatives

1. Principle and policy of transaction

All derivatives transactions by the Company shall basically be conducted with a view to prevent possible risks arising from business operation of the Company. The responsible personnel of a derivatives transaction shall conduct a detailed analysis of the possible risks in advance, conduct the hedge transaction with care, and get hold of all possible risks that may arise from the transaction.

1.1 Derivatives transactions:

Derivatives means the transaction contracts the value of which is derived from assets, interest rates, exchange rates, indices or the interests in any of the above (such as forward contracts, options contracts, futures, swap and compound contracts of a combination of the above). For purposes of this Procedure, forward contracts exclude insurance contracts, performance guaranty, after-sale services warranty, long-term leases and long-term purchase (sale) contracts.

1.2 Operational or hedging strategy:

The Company's demand for foreign currency to meet the calls for purchases of imported materials and equipment shall be hedged by buying forward foreign exchange and receipts of foreign currency from exports shall be hedged by selling forward foreign exchange.

1.3 Division of powers and duties:

1.3.1 Only the personnel approved by the Chairman authorized to do so by the relevant meeting of the Board of Directors may conduct foreign exchange transactions. Necessary increase or reduction in the staff of such personnel, if any, must also be approved by the Chairman.

1.3.2 The accounting department shall be responsible for administering foreign exchange transactions.

1.3.3 The relevant financial managerial office shall act as the supervisor of the foreign exchange transaction within the scope of their power of authority with respect to the transaction amount.

1.4 Key points of performance evaluation:

1.4.1 Transaction part shall be evaluated according to the accumulated realized amount of net foreign exchange gain (loss) of the year.

1.4.2 Non-transaction part shall be evaluated according to their compliance with the relevant policy and rules for operation of forward foreign exchange of the Company.

1.5 Total contractual transaction amount shall be the Company's total authorized transaction amount on forward foreign exchange contracts.

1.5.1 Limit of hedging transactions: The total hedging transaction amount of the Company as a whole shall basically be determined according to the Company's call for imports and exports both for a term of six month of the year. Any position call beyond the 6-month term must be approved by the Chairman authorized to do so by the relevant meeting of the Board of Directors.

1.5.2 Limit of non-hedging transactions: The total non-hedging transaction amount of the Company as a whole shall be within the range of the amount equal to 15% of the Company's call for imports and exports both for a term of six month of the year.

1.5.3 The maximum uncovered position of the Company as a whole shall not exceed 150% of the Company's call for imports and exports both for a term of six month of the year and the sum of the position of hedging transactions and that of non-hedging transactions combined shall not exceed the maximum uncovered position of the Company.

1.6 Limits on total loss from all transaction contracts and the loss from each individual transaction contract

The uncovered position of derivative transactions by the Company as a whole shall be calculated according to the closing price of TWD at the current day on and that of the New York foreign exchange market of the previous day. When the loss incurred amounts to TWD2.5 million, 25% thereof shall be covered and the trader shall be instructed to suspend all transactions. When the loss incurred amounts to TWD5 million, 50% of the uncovered position must be covered with a relevant report submitted to the President. If the loss incurred amounts to TWD10 million, all positions shall be closed with a relevant report submitted to the President and the Chairman.

Please see the Trader Authorization and Stop-Loss Points Schedule attached hereto (1, 2) for the stop-loss point applicable to foreign exchange transactions. Each trader shall act according to the stop-loss point for each individual transaction and for accumulated loss respectively which are fixed according to the limit on his/her authorization and the foreign currency traded. The trader will be suspended from conducting transactions for a term of three months on his/her initial breach in conducting closing of position at the relevant stop-loss point and he/she will be disqualified on a second non-compliance, in which case, he/she will be reported to the President for determining the disciplinary action against him/her.

2. Risk management

2.1 Credit risk management:

In consideration of the changing market, risks management in connection with the operation of derivatives transactions shall be administered in accordance with the following principles: The transaction counterparts shall mainly be well known local or foreign financial institutions. The commodity transacted shall be among those offered by local or foreign financial institutions.

The total uncovered transaction amount with respect to the same transaction counterpart shall not exceed 10% of the total authorized amount except as otherwise approved by the President.

2.2 Market risk management:

The operation shall focus on the public foreign exchange transaction provided by banks without regard to the futures market.

2.3 Liquidity risk management:

In consideration of liquidity, the derivative commodities transacted by the Company shall be selected from among those with high liquidity (i.e. those which may be covered at any time on the market). The financial institution entrusted to conduct the transaction must be able to get hold of the relevant information and is able to conduct transactions on any market at any time.

2.4 Cash flow risk management:

In consideration of stable working capital, the Company shall basically conduct derivatives transactions by using self-owned fund and take into account the capital calls forecast for the next three months when deciding the amount to be applied to conduct derivatives transactions.

2.5 Operational risk management

The transactions shall be conducted within the relevant authorized amount in full compliance with the procedure for operation and put under internal control to prevent operational risks.

The personnel conducting derivatives must not act concurrently as the personnel responsible for making the relevant verification and delivery and vice versa.

The personnel responsible for weighing, monitoring and controlling the risks and the personnel provided in the preceding subparagraph must be serving in different departments of the Company and they must report to the Board of Directors or a high-ranking managerial officer who is not in charge of the transaction or decision-making on the positions to be taken.

The positions taken by derivatives transaction shall be evaluated at least once a week except hedging transactions which have been conducted to meet business needs and which shall be evaluated twice a month. The evaluation report shall be submitted to the relevant high-ranking managerial officer authorized to do so by the Board of Directors.

2.6 Commodities risk management

Internal trading personnel must have complete and accurate special knowledge with respect to derivatives and shall request the bank for full disclosure of risks in order to prevent the risk of utilizing inappropriate commodities.

2.7 Legal risk management

In consideration of prevention of possible legal risks, documents to be entered into by and between the Company and financial institutions must be examined in advance by personnel with special knowledge in foreign exchange and the legal compliance personnel or by the legal counsel.

3. Internal audit policy

3.1 Internal audit personnel must conduct periodical audit of the acceptability of the internal control with respect to derivatives transactions and, on a monthly basis, audit the compliance with the procedure for derivatives transactions by the departments responsible for the transactions and evaluate the transaction cycle, produce the relevant internal reports, and

give a written notice of any material breach to the Audit Committee.

3.2 The internal audit personnel shall, by the end of February the following year, submit the internal audit report and the annual internal audit inspection report to the Financial Supervisory Commission and report the correction of irregularities (if any) to the Financial Supervisory Commission by the end of May the following year.

4. Periodical evaluation

4.1 The Board of Directors shall authorize high-ranking managerial officers to supervise and evaluate, on a regular basis, the compliance of the procedure for derivatives transactions and the acceptability limits on risks, as well as report to the Board of Directors upon finding of any irregularity in the market value evaluation report (e.g. a position taken having exceeded the limit of loss), and take proper measures in response.

4.2 The positions taken by derivatives transaction shall be evaluated at least once a week except hedging transactions which have been conducted to meet business needs and which shall be evaluated twice a month. The evaluation report shall be submitted to the relevant high-ranking managerial officer authorized by the Board of Directors.

5. Principles of supervision and control of derivatives transactions by the Board of Directors

5.1 The Board of Directors shall appoint high-ranking managerial officers to oversee and control the risks from derivatives transactions from time to time according to the following principles:

5.1.1 Suitability of the current risk management measures and the compliance of the Company's procedure for derivatives transactions should be evaluated on a regular basis.

5.1.2 Necessary measures shall be taken upon finding of any irregularity with respect to the transaction and profit (loss) from the transaction. Such finding must be reported to the Board of Directors immediately and the relevant opinion expressed by the Independent Director shall be heard at the relevant meeting.

5.1 Performance consistency of derivatives transactions with the relevant operation policy and the acceptability limit of risks must be evaluated on a regular basis.

5.3 Where the relevant personnel have been authorized pursuant to the procedure for derivatives transactions to handle the transaction, the transaction shall be reported to the Board of Directors up to date after the transaction.

5.4 The Company shall maintain a derivatives transactions record book in which the type, value, date of the relevant resolution adopted by the meeting of the Board of Directors, and the matters subject to evaluation provided in paragraphs 4.2, 5.1 and 5.2 of this Article of each transaction shall be indicated in detail for reference.

Article 14

Procedure for handling merger, spin-off, acquisition or assignment of shares

1. Evaluation and procedure of operation

1.1 The Company shall, for the purpose of a merger, spin-off, acquisition or assignment of shares, call a meeting of the legal counsel, certified public accountant and underwriter for joint discussion to determine the timetable of the legal proceeding and organize a special group to execute the legal proceeding. The Company shall also seek the opinion of the

certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price or, cash or other property to be distributed to the shareholders and submit the same to the meeting of the Board of Directors for approval. The company need not obtain reasonable opinions from experts, as mentioned above, for acquiring subsidiaries 100% owned, in terms of issued shares or paid-in capital, by the company directly or indirectly or merger of subsidiaries 100% owned, in terms of issued shares or paid-in capital, by the company directly.

1.2 The Company shall, prior to the convention of the relevant Shareholders Meeting, produce the document on disclosure of the material agreement and relevant matters on the proposed merge, spin-off or acquisition and submit such document to all shareholders together with the expert opinion provided in paragraph 1.1 of this Article and the meeting minutes as reference for the shareholders to determine to or not to approve the proposed merger, spin-off or acquisition, except in case where a relevant resolution adopted by the Shareholders Meeting is not legally required. If any of the participant companies is unable to convene the meeting, or to obtain the resolution of its shareholders meeting on the proposed merger, spin-off or acquisition because the number of shares represented at the meeting fell short of the quorum for the meeting or the proposal is denied by the meeting, the participant companies shall promptly give a public explanation of the cause, the subsequent handling and reschedule a date for convening the shareholders meeting.

2. Other matters for attention

2.1 Date of convention of the relevant meeting of the Board of Directors:

Except as otherwise provided by law or there being any special factor which has been approved by the FSC, companies participating in the merger, spin-off or acquisition shall convene the meeting of the board of directors and the shareholders meeting on the same day to adopt the resolution on the matters in connection with the proposed merger, spin-off or acquisition. Except as otherwise provided by law or there being any special factor which has been approved by the Financial Supervisory Commission, companies participating in the assignment of shares shall convene the meeting of the board of directors on the same day.

Companies participating in the merger, spin-off, acquisition or assignment of shares whose stocks are traded on the stock exchange or the over-the-counter market shall maintain complete written record on the following materials and keep the same for a term of five years.

2.1.1 Basic personal information: including all personnel who participate in the execution of the merger, spin-off, acquisition or assignment of shares before the relevant information was publicly released, including their titles, names, and identification card (or passport) number.

2.1.2 Dates of important matters including, among others, execution of the relevant memorandum of intent (MOI) or memorandum of understanding (MOU), engagement of financial or legal counsel, execution of the relevant contract(s) and the date of the relevant meeting of the Board of Directors.

2.1.3 Important documents and meeting records on, among others, the proposed merger, spin-off, acquisition or assignment of shares, and the relevant MOI or MOU, important contract(s) and minutes of the relevant meeting of the Board of Directors.

Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall each, within two days from the date following the adoption of the relevant resolution by the meeting of their Board of Directors, make a report online of the information provided in subparagraphs 1 and 2 of the preceding paragraph in the required form and substance to the Financial

Supervisory Commission.

Companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are traded on the stock exchange or the over-the-counter market shall enter into the relevant agreement with companies participating in the merger, spin-off, acquisition or assignment of shares, whose stocks are not traded on the stock exchange or the over-the-counter market (if any) and make the report provided in the two preceding paragraphs.

2.2 Prior non-disclosure agreement:

All persons who participate in or have knowledge about the Company's project of merger, spin-off, acquisition or assignment of shares shall each sign a non-disclosure agreement to undertake that they will not externally disclose the project before the Company makes the relevant public disclosure and that they will not buy or sell any stocks or equity securities of any company involved in the proposed merger, spin-off, acquisition or assignment of shares, either in their own name or using any other person's name to do so.

2.3 Determination and change of the proposed swap ratio or acquisition price:

Each participant company shall seek the opinion of the certified public accountant, legal counsel or underwriter with respect to the acceptability of the proposed swap ratio, acquisition price, or cash or other property to be distributed to shareholders before the meetings of Board of Directors, then submit the same to the Shareholders Meeting. Basically, neither the swap ratio nor the acquisition price shall be changed except in case of the conditions for a change provided in the contract (if any) and such conditions have been publicly disclosed. The swap ratio or acquisition price may be changed in the event of any of the following:

2.3.1 The subject securities are issued for capital increase, issuance of convertible bonds, stock grant, and issuance of corporate bond with stock option, issuance of preferred shares with stock option, issuance of share warrant certificates or other equity securities.

2.3.2 Any of the participant companies has done any act that may affect the financial operation of the company such as disposal of its material assets.

2.3.3 The shareholders' equity or securities price of any of the participant companies has been affected by, among others, a major disaster or material technical change.

2.3.4 Any of the participant companies has adjusted legal buy-back of treasury stocks.

2.3.5 The principal participant companies or the number of participant companies has changed.

2.3.6 The contract has provided the other conditions for changes and such conditions have been publicly disclosed.

2.4 Provision of the contract:

The contract on the proposed merger, spin-off, acquisition or assignment of shares shall provide the matters set forth below, except those in accordance with the provision of Article 317-1 of the Company Act and Article 22 of the Business Merger Act:

2.4.1 Handling of defaults.

2.4.2 The procedure for issuance of equity securities or buy-back of treasury shares adopted by the company to extinct as a result of the proposed merger or to spin off.

2.4.3 The amount of treasury stocks the participant company may legally buy back after the swap ratio record date and such company's procedure therefore.

2.4.4 Ways to handle matters arising from a change of the principal participant company or the number of participant companies.

2.4.5 The schedule for executing the project and the scheduled date of completion.

2.4.6 Procedure for handling relevant matters and the date to duly convene the relevant Shareholders Meeting in case the project is not completed as scheduled.

2.5 Change of the participant companies:

Where, after any of the companies participating in the proposed merger, spin-off, acquisition or assignment of shares has publicly disclosed the information, there is another company to participate in the proposed merger, spin-off, acquisition or assignment of shares, the original participant companies each shall re-new all relevant proceedings or legal acts except in the case of there being reduction in the number of the original participant companies and the Board of Directors is authorized to act accordingly by the resolution of the Shareholders Meeting.

2.6 The Company shall enter into an agreement with the participant company which is not a public company and set the date to convene the relevant meeting of the Board of Directors, execute the prior non-disclosure agreement, and act accordingly in consideration of the change of the participant companies in accordance with paragraphs 2.1, 2.2 and 2.5 of this Article.

Article 15 Procedure for public disclosure reports

1. Matters which should be reported for public disclosure and the relevant standards

1.1 Acquisition of real property, or disposal of properties with, related parties, or acquisition of non-property assets from, or disposal of non-property assets with, related parties with the trading value exceeding 20% of the company's paid-in capital or 10% of total assets, or NT\$300 million. However, trading in government bonds or bonds with repurchase and resale agreements, or subscription or repurchase of money market funds by domestic securities investment trust enterprises and subscription or redemption of domestic money-market funds issued by Securities Investment Trust Enterprises are not included.

1.2 Merger, spin-off, acquisition or assignment of shares.

1.3 The amount of loss incurred from the derivatives transaction exceeds the limit on loss from all contracts or the relevant individual contract provided in the relevant handling procedure.

1.4 The subject asset to be acquired or disposed of is equipment for business use and the transaction counterpart is a non-related party and the transaction value is above TWD 1 billion.

1.5 The subject real property is to be acquired or disposed of by the construction business division of the Company for construction use and the transaction counterpart is a non-related party and the transaction value is above TWD500 million.

1.6 The subject real property to be acquired is a building is to be constructed on a self-owned land, leased land, jointly constructed and shared by units, jointly constructed and

shared by percentage, jointly constructed and sold by units and the anticipated transaction value is above TWD500 million.

1.7 Assets transactions or disposals of credit claims in financial institutions or investment in PRC other than those provided in the preceding six subparagraphs, the transaction value of which amounts to 20% of the paid-in capital of the Company or TWD300 million each, except for these transactions:

1.7.1 The transaction is the purchase or sale of government bonds.

1.7.2 Professional investors, who trade in securities at domestic or overseas stock exchanges or business outlets of securities firms, or subscribe to common corporate bonds and common financial bonds without stock right on the domestic primary market, security brokers who subscribe to securities out of the need for underwriting business or in the capacity as a assisting or recommending security firm for share listing on the Emerging Stock Market, according to the regulations of the ROC Greta Market (over-the-counter market)

1.7.3 The subject asset to be acquired or disposed of is bond with re-purchase, re-sale agreements. Subscription to and redemption of domestic money-market funds issued by Securities Investment Trust Enterprises.

1.8 The transaction value provided in previous paragraph 1.8 above shall be calculated as follows, where within one year means within the year immediately preceding the date of occurrence of the proposed transaction, excluding the items which have been publicly disclosed.

1.8.1 The value of each transaction.

1.8.2 The total value of the property of the same nature acquired from or transferred to the same transaction counterpart within one year.

1.8.3 The total value of the real property under the same development project acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately).

1.8.4 The total value of the same specific securities acquired or disposed of within one year (the sum acquired and the sum disposed of shall be calculated separately).

1.9 The calculation for 10% of total assets, as referred in the handling procedure, is based on the sum of assets included in recent alone-basis financial reports, formulated according to the "Regulations Governing the Preparation of Financial. For stocks without par value or with par value other than NT\$10, the calculation of 20% of paid-in capital for transaction value, as referred in the procedure, is based on 10% of the owner's equity of the parent firm.

2. Time period for making public disclosure

If the acquisition or disposal of assets involves any item which should be published pursuant to paragraph 1 of this Article and the transaction value meets the public disclosure standards provided in this Article, the Company shall make a public disclosure on such acquisition or disposal of assets within two days following the date of occurrence of such transaction.

3. Procedure for making public disclosure

3.1 The Company shall cause the relevant information publicly disclosed on the website designated by the Financial Supervisory Commission.

3.2 The Company shall on a monthly basis make a report on the derivatives transactions conducted in the month by itself and its local subsidiaries which are not public companies on the website designated by the FSC in the form and substance required by the tenth day the following month.

3.3 The Company shall renew the entire public disclosure report in case the public disclosure report made contains any error or omission within 2 days counting inclusively from the date of occurrence of the event.

3.4 The Company shall keep all agreements, meeting minutes, reference record book, appraisal report, opinions of the certified public account, legal counsel or underwriter in the Company relating to the acquisition or disposal of any asset for a term of at least five years except as otherwise provided by law.

3.5 In the event of any of the following after submitting the public disclosure report in accordance with the preceding paragraph, the Company shall, within two days following the occurrence of such event, publicly disclose the relevant information on the website designated by the Financial Supervisory Commission:

3.5.1 There is change to the relevant original signed agreement(s) or the original signed agreement(s) is terminated or rescinded.

3.5.2 The proposed merger, spin-off, acquisition or assignment of shares is not completed as scheduled under the relevant agreement.

3.5.3 There are changes for the original reporting.

Article 16

The Company shall cause all subsidiaries to act in accordance with the following:

1. The subsidiaries of the Company each shall prescribe their own rules for acquisition or disposal of assets pursuant to the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.

2. For a subsidiary of the Company which is not a public company, if the acquisition or disposal of asset by such subsidiary meets the public disclosure standards provided in the paragraph 1 of Article 15, the Company shall make the relevant public disclosure report for such subsidiary.

3. The “amounts to 20% of the paid-in capital of the company or 10% of the total assets” provided in the public disclosure standards applicable to the subsidiaries of the Company means the paid-in capital of the Company.

Article 17 Penalty

Any employee of the Company who has handled acquisition or disposal of asset for the Company in breach of these Rules shall be subject to periodical evaluation according to the personnel administration rules and employees handbook and punished according to the degree of severity of the breach.

Article 18 Implementation and amendment

Subject to the approval by the meeting of the Board of Directors, the Board of Directors shall submit the Procedure for Acquisition or Disposal of Assets and all subsequent amendment

thereto to Audit Committee and to the Shareholders Meeting for approval. Opposition expressed by the Director with written record thereof taken or in writing shall be submitted to Audit Committee. Opinion expressed by the Independent Director (if any) at the relevant meeting of the Board of Directors on the Procedure for Acquisition or Disposal of Assets shall be sufficiently considered. Opposition or qualified opinion expressed by Independent Directors shall be clearly indicated in the minutes of the Board of Directors.

Article 19

This Procedure was established on 11 August 1989 and subsequently amended as follows:
the first amendment on 30 September 1991;
the second amendment on 26 June 1995;
the third amendment on 28 April 1997;
the fourth amendment on 28 October 1999;
the fifth amendment on 6 June 2003;
the sixth amendment on 13 June 2007;
the seventh amendment on 15 June 2012.
the eighth amendment on 21 June 2013.
the ninth amendment on 23 June 2014.
and the tenth amendment on 16 June 2017.