

HERMES MICROVISION, INC.

Procedures Governing Asset Acquisition and Disposal

1. Purpose

In order to protect its investment and fulfill its public disclosure of information, the Company's asset acquisition or disposal shall be subject to the Procedures.

2. Legal basis

The Procedures are set up in accordance with Article 36-1 of the "Securities and Exchange Act", and the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies" stipulated by the Financial Supervisory Commission (hereafter referred to as the FSC).

3. Scope of applicable assets

- 3.1 Investment in stocks, bonds, corporate bonds, financial bonds, securities in recognition of funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities, etc.
- 3.2 Real estate (including construction inventory) and equipment.
- 3.3. Membership cards
- 3.4 Intangible assets, such as patent rights, copy rights, trademark rights and franchises, etc.
- 3.5 Financial institutions' debts (including receivables, purchase of foreign exchanges, discount, loans and overdue receivable).
- 3.6 Derivative products
- 3.7 The assets acquired or disposed by law from merger, split, acquisition or share assignment.
- 3.8 Other important assets.

4. Definition of terms

- 4.1 Derivative products: They refer to the forward contract, option contract, futures contract, leverage contract and swap contract derived from the products whose values are determined by assets, interest rates, exchange rates, indexes or other benefits, and the compound contract combining the aforesaid products. The aforesaid forward contract does

not include the insurance contract, performance contract, after-sale service contract, long-term lease contract and long-term purchase (sales) contract.

- 4.2 The assets acquired or disposed by law from merger, split, acquisition or share assignment: They refer to the assets acquired or disposed from merger, split or acquisition according to the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or from other company's share assignment for the new shares (hereafter referred to share assignment) issued in accordance with Paragraph 8 of Article 156 of the Company Act.
- 4.3 Related parties and subsidiaries: They refer to the those who are covered by the Statements of Financial Accounting Standard No. 6 published by Accounting Research and Development Foundation (hereafter referred to as ARDF).
- 4.4 Professional appraisers: They refer to the real estate appraisers, or those who engage in real estate and equipment appraisal businesses as stated by law.
- 4.5 Incident occurrence day: It refers to the earlier of the transaction signing day, payment day, consigned trading day, ownership transfer day, board meeting resolution day or other days which suffice for confirming transaction counterparts and trading amounts. However, those that require approval of the competent authorities for investment, the earlier of the aforesaid day or competent authorities' approval day shall prevail.
- 4.6 Investment in the mainland China area: It refers to the mainland China investment made in accordance with the Regulations on the Permission of Investment and Technical Cooperation in the Mainland China Area stipulated by Investment Commission, Ministry of Economic Affairs.
- 4.7 The "latest period of financial statements" refer to the last period of financial statements audited and certified or reviewed by a certified public accountant (CPA), which are publicly disclosed by law prior to the Company's acquisition or disposal of assets.

5. Limits for investment in non-business purpose real estate and securities

The limits for the aforesaid assets acquired by the Company and its subsidiaries respectively are as follows:

- 5.1 For the non-business purpose real estate, its total accumulated acquisition amount shall not be more than 20% of the paid-up capital of the Company or a subsidiary.
- 5.2 The total accumulated amount of investment in securities shall not be higher than 100% of the total asset amount of the Company or a subsidiary.
- 5.3 The total amount of investment in any individual securities shall not be higher than 80% of the total asset amount of the Company or a subsidiary.

6. Acquisition of appraisal reports or opinion reports

The professional appraiser as well as his or her appraisal personnel, CPA, attorney or securities underwriter who issues the appraisal report or the opinion report for the Company shall not be the related party of the transaction involving party.

7. Handling procedures of acquisition or disposal of real estate or equipment

7.1 Evaluation and operation procedures

The Company's acquisition or disposal of its real estate and equipment shall be processed in accordance with the Company's internal control system for the fixed asset cycling procedures.

7.2 Procedures to determine transaction terms and authorized limits

7.2.1. Prior to acquiring or disposing real estate, the responsible personnel shall refer to the government-declared present value, judge the real estate's value and investigate neighboring real estate's actual trading prices, followed by determining the transaction terms and price and preparing an analysis report for submission. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.

7.2.2 The responsible personnel shall use price enquiry, price comparison, price negotiation or bidding to acquire or dispose

equipment. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.

7.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedure set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.

7.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.

7.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by more than half of the entire body of audit committee members before being submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

7.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

7.3 Execution unit

When acquiring or disposing real estate or equipment, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the

approval, the use and management units shall be responsible for execution.

7.4 Appraisal reports of real estate and equipment

For the Company's acquisition or disposal of real estate or equipment, except the transaction with government agencies, construction assigned by the land owner, construction assigned for the leased land, or acquisition or disposal of business-purpose equipment, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the appraisal report (the matters to be stated in the report shall be subject to statutory laws and regulations) issued by a professional appraiser shall be obtained before the incident occurrence day and comply with the following regulations.

7.4.1 If due to some special reason the limited price, specific price or special price is required to be used as the reference for the transaction price, the transaction in question shall be first submitted to the board of directors for adoption. The aforesaid procedures shall also apply to those that have any change in transaction terms in the future.

7.4.2 When a transaction amount is more than 100 million NT dollars, the appraisal shall be made by at least two professional appraisers.

7.4.3 In case that any of the following circumstances occurs to the appraisal made by a professional appraiser, except that the appraised price of asset acquisition is higher than the transaction amount or the appraised price of asset disposal is lower than the transaction amount, the Company shall request its CPA to process the case in accordance with the Statements of Auditing Standard No. 20 published by ARDF, for which the CPA shall give their specific opinion on the variance cause and adequacy of the transaction price:

7.4.3.1 When the gap between the appraised price and transaction amount is over 20% of the transaction amount.

7.4.3.2 When the appraisal made by two or more than two appraisers and the gap of the appraised price and transaction amount is over 10% of the transaction amount.

7.4.4 The date of the report issued by a professional appraiser shall not

be more than three months apart from the contract establishment date. However, for the case which can be subject to the present value declared by the government in the same period and the date of the report is within six months, the original professional appraiser shall issue their opinion report.

7.4.5. In the case that the Company acquires or disposes assets in accordance with the court auction procedures, the certificate document issued by the court can be used to replace the appraisal report or CPA's opinion report.

7.4.6 A transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain the appraisal report issued by a professional appraiser or the opinion report issued by a CPA can be exempt from the calculation.

7.4.6.1 The amount of each transaction

7.4.6.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.

7.4.6.3. The amount of the same development project's real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

8. Handling procedures of acquisition or disposal of securities investment

8.1 Evaluation and operation procedures

The purchase and sale of the Company's securities shall be processed in accordance with the Company's internal control system for the investment cycling operation.

8.2 Procedures to determine transaction terms and authorized limits

8.2.1. Purchase or sale of securities not at the stock exchange market or securities firms' business outlets:

8.2.1.1 The underlying company's latest financial statements audited and certified or reviewed by its CPA shall be obtained before the incident occurrence day and used as the reference for evaluation of the transaction price. Also,

the underlying company's net value per share, profitability, development potential and transaction purpose shall be taken into consideration. All the details shall be submitted to the board of directors for approval before implemented.

8.2.1.2 The Company shall not give up its participation in the capital increase of HMI Holdings, Inc. and Hermes Microvision, Inc. (USA) for the years to come. HMI Holdings, Inc. shall not give up its participation in the capital increase of Hermes Microvision Japan, Inc., Hermes Microvision Korea, Inc. and Ansing International LLC for the years to come. Ansing International LLC shall not give up its participation in the capital increase of Hermes Microvision Co., Ltd. (Beijing) for the years to come. In the future, if the Company has to give up its participation in the capital increase of the aforesaid companies or dispose the aforesaid companies due to consideration of strategic alliance or as agreed by Gre Tai Securities Market, it shall be passed by the Company's board of directors as a special resolution. At the same time, if amendment to the article is required, it shall be put on the Market Observation Post System for disclosure of material information, and reported to Gre Tai Securities Market for future reference.

8.2.2 For purchase and sale of securities at the stock exchange market or securities firms' business outlets, the responsible unit shall judge according to the market status. An individual transaction with an amount no more than 300 million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than 300 million NT dollars shall be submitted to the president for approval.

8.2.3 For the Company's asset acquisition or disposal which requires approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.

8.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.

8.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by the majority of audit committee members before being submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

8.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

8.3 Execution unit

When investing in securities, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the financial unit shall be responsible for execution.

8.4 Opinions from experts

8.4.1 For the Company's acquisition or disposal of securities, the underlying company's latest financial statements audited and certified or reviewed by its CPA shall be obtained before the incident occurrence day and used as the reference for evaluation of the transaction price. Also, when the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, the Company shall request its CPA before the incident occurrence day to give their opinion on the rationality of the transaction price. In the case that the CPA requires adopting expert's report, it shall be processed in accordance with the Statements of Auditing Standard No. 20 published by ARDF. However, it is not limited to the securities having active market public offer or with the following provisos listed by the

competent authorities:

8.4.1.1 The securities acquired by cash capital contribution in initiation or placement.

8.4.1.2 Participation in the capital increase in cash processed by law by the subscription underlying company, in which the securities are issued at par.

8.4.1.3 Participation in the capital increase in cash processed by the investee company 100% owned by the Company through trans-investment, in which the securities are issued.

8.4.1.4 The TSEC, GTSM and emerging listed securities trading at the stock exchange market or securities firms' business outlets.

8.4.1.5 The bonds which are government bonds with a repurchase agreement or under a reverse repurchase agreement.

8.4.1.6 Local and foreign funds

8.4.1.7 The TSEC (GTSM) listed stocks acquired or disposed in accordance with the Taiwan Stock Exchange Corporation or Gre Tai Securities Market Rules Governing Subscription Bidding or Auction.

8.4.1.8 The securities acquired by participating in the subscription of the shares issued by a public company in its cash capital increase, and the acquired securities shall not be the privately placed securities.

8.4.1.9 The funds applied for subscription before establishment of the funds as prescribed by Paragraph 1 of Article 11 of the Securities Investment Trust and Consulting Act and according to the doc. Chin-Kuan-Cheng-Su-Tzu No. 0930005249 issued by the FSC on November 1, 2004.

8.4.1.10 The applied or repurchased local privately placed funds. Except the securities margin trading and the held un-offset securities related commodity positions stated in the trust deed, the investment strategy for the investment scope shall be same as that of publicly placed funds.

8.4.2 In the case that the Company acquires or disposes assets in accordance with the court auction procedures, the certificate

document issued by the court can be used to replace the appraisal report or CPA's opinion report.

8.4.3 The transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain the appraisal report issued by an professional appraiser or the opinion report issued by a CPA can be exempt from the calculation.

8.4.3.1 The amount of each transaction

8.4.3.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.

8.4.3.3 The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

9. Related parties' transaction handling procedures

9.1 For the assets acquired or disposed between the Company and its related parties, other than the matters regarding related resolution procedures and evaluation of the rationality of the transaction terms which shall be processed by complying with the following regulations, if the transaction amount is over 10% of the Company's total asset amount, the "7.4", "8.4" and "10.4" of the Procedures shall be followed in obtaining the appraisal report issued by a professional appraiser or the opinion report issued by a CPA. In addition, when judging if a transaction counterparty is a related party, other than legal issues, substantive relations shall also be considered.

9.2 Evaluate and operation procedures

9.2.1 For the real estate or other assets other than real estate that the Company acquires or disposes from its related parties, if the transaction amount is more than 20% of the Company's paid-up capital, 10% of the Company's total asset amount or 300 million NT dollars, unless trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the following data shall be submitted to the board of directors for approval and sent to supervisors for adoption. After obtaining the approval and

adoption, the transaction contract can then be signed and the payment can then be made:

- 9.2.1.1 The purpose, necessity and expected effects of asset acquisition or disposal.
- 9.2.1.2 The reason for determining a related party as a transaction counterparty.
- 9.2.1.3 The data related to evaluation of the rationality of the scheduled transaction terms made according to "9.3.1" to "9.3.4" of the Handling Procedures for the real estate acquisition from related parties.
- 9.2.1.4 The matters regarding related party's original acquisition date and price, the transaction counterparty and the relationship between the transaction counterparty and the Company as well as its related parties.
- 9.2.1.5 The list of prediction of cash receipt and expenditure for respective months of the coming one year starting from the month expected to sign the contract, and evaluation of transaction necessity and rationality of capital utilization.
- 9.2.1.6 The appraisal report issued by a professional appraiser or the opinion report issued by a CPA, which is obtained in accordance with "9.1" of the Procedures.
- 9.2.1.7 Restriction terms and other important agreed matters of this time of transaction.
- 9.2.1.8 The transaction amount shall be calculated according to the following ways, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that are submitted to the board of directors for approval and sent to supervisors for adoption can be exempt from the calculation.
 - A. The amount of each transaction
 - B. The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.
 - C. The amount of the same development project's real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated

respectively) within one year.

D. The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

9.2.2 For acquisition or disposal of business-purpose equipment between the Company and its parent company or subsidiaries, the board of directors may authorize the president for execution within 500 million NT dollars, for which any execution will be reported in the next board meeting for retroactive adoption.

9.2.3. Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit a real estate acquisition transaction with a related party to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.

9.2.4 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, the matters which shall be adopted by supervisors as regulated shall be agreed by more than the majority of audit committee members before being submitted to the board of directors for resolution. In the case that the matters fail to pass the approval of the majority of the entire body of audit committee members, they can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

9.2.5 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

9.3 Evaluation of transaction cost rationality

9.3.1. The rationality of the transaction cost of the real estate acquired by the Company from its related party shall be evaluated according to the following methods:

9.3.1.1 To add required capital interest and the cost required to be paid by the buyer by law to the related party's transaction price. The preceding required capital interest cost shall be calculated according to the weighted average interest rate for the amount borrowed in the

year in which the Company purchased the asset. However, the interest rate shall not be higher than the highest loan rate published by the Ministry of Finance for the non-institutional industry.

9.3.1.2 If the related party pledged the underlying object in question at a financial institution for a loan, the actual accumulated amount of the loan released from the financial institution against the pledged object shall be over 70% of the total estimated amount of the loan and the loan period shall be more than one year. However, it is not applicable to the situation where the financial institution and the transaction party are the related party each other.

9.3.2 Those that jointly purchase the same underlying land and house shall assess the transaction cost of the land and house respectively according to either method listed in the preceding paragraph.

9.3.3 When the Company acquires real estate from its related party, it shall follow "9.3.1" of the Procedures to assess the cost of the real estate and request its CPA to re-check it and give concrete opinion.

9.3.4 In the case that the Company's assessment price for the real estate acquired from its related party according to "9.3.1" of the Handling Procedures is lower than the transaction price, "9.3.5" of the Handling Procedures shall be subject to. However, it is not limited to the following circumstances in which objective evidence and concrete and rational opinions from a real estate professional appraiser and a CPA are submitted:

9.3.4.1 For the construction made after related party's acquisition of the plain land or leased land, the burden of proof for complying with any of the following terms shall be put:

A. The total amount of the plain land assessed according to the preceding article and the house calculated by adding a reasonable construction profit to a related party's construction cost exceeds the actual transaction price. The aforesaid reasonable construction profit shall be the lower of

the average business gross margin of the related party's construction department over the past three years or the gross margin of the construction industry published by the Ministry of Finance in the latest period.

- B. The successful transactions of other floors of the underlying building or the neighboring area made by non-related parties within one year, in which the space is similar, and, as estimated according to the reasonable floor and area price difference with the real estate trading practice, the transaction terms are tantamount.
- C. The lease cases of other floors of the underlying building occurring to non-related parties within one year, in which, as inferred according to the reasonable floor price difference with the real estate lease practice, the transaction terms are similar.

9.3.4.2 According to the burden of proof put by the Company for the real estate purchased from a related party, the transaction terms are tantamount to those of the successful transactions of the neighboring area made by non-related parties, in which the space is similar. The aforesaid successful transactions of the neighboring area are based on the principle that the real estate is at the same or neighboring street and within 500 meters from the underlying real estate or its value is close to the government declared present value. Also, in terms of the similar space, it refers to the space of the real estate of the successful transactions made by non-related parties which shall not less than 50% of the space of the underlying real estate. The aforesaid "within one year" shall be one year before this time of real estate acquisition occurrence day.

9.3.5 For the Company's real estate acquisition from a related party, if the price evaluated according to "9.3.1" and "9.3.4" of the Handling Procedures is lower than the transaction price, the regulations below shall be followed:

9.3.5.1 For the difference between real estate's transaction price

and its assessed cost, the Company shall set a special surplus reserve aside according to Paragraph 1 of Article 41 of the Securities and Exchange Act, with which surplus distribution or stock dividend from earnings recapitalization is not allowed. If the investor using the equity method to value the Company's investment is a public company, a special surplus reserve shall be set aside based on the pro-rata entitlement of the lodged amount as prescribed by Paragraph 1 of Article 41 of the Securities and Exchange Act. Also, if the Company and the public company adopting the equity method to value the Company's investment already set a special surplus reserve aside in accordance with the aforesaid regulations, recognized loss on market value for the asset purchased with a high price, disposed the asset, properly compensated for the loss or restored the asset to its original state, or there is other evidence to show no irrationality, the special surplus reserve in question could then be used after approved by the competent authorities.

9.3.5.2 Supervisors shall comply with Article 218 of the Company Act.

9.3.5.3 The status of the handling made according to "9.3.5.1" and "9.3.5.2" of the Handling Procedures shall be submitted to the board of shareholders and the detailed transaction content shall be disclosed in the annual report and prospectus.

9.3.6 If any of the following circumstances occurs when the Company acquires real estate from a related party, "9.2" of the Handling Procedures for evaluation and operation procedures shall be subject to, whereas "9.3.1" to "9.3.3" of the Handling Procedures for evaluation of rationality of transaction costs are not applicable:

9.3.6.1 The related party acquires the real estate from inheritance or bestowal.

9.3.6.2 The transaction contract signing date is over five year apart from the day that the related party established the contract and acquired the real estate.

9.3.6.3 The real estate is acquired by signing a co-construction

contract, engaging others to build on its own land, engaging others to build on rented land with a related party.

9.3.7 When the Company acquires real estate from a related party, if there is any evidence to show that the transaction does not meet the arm's length principle, "9.3.5" of the Handling Procedures will be followed.

10. Handling procedures of acquisition or disposal of membership cards or intangible assets

10.1 Evaluation and operation procedures

The Company's acquisition or disposal of its membership cards or intangible assets shall be processed in accordance with the Company's internal control system for the fixed asset cycling procedures.

10.2 Procedures to determine transaction terms and authorized limits

10.2.1 Prior to acquiring or disposing membership cards, the responsible personnel shall refer to the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.

10.2.2 Prior to acquiring or disposing intangible assets, the responsible personnel shall refer to expert's assessment report or the fair market value, determine the transaction terms and price and prepare an analysis report. An individual transaction with an amount no more than ten million NT dollars (inclusive) shall be submitted for approval through each level of authorization, whereas the one with an amount more than ten million NT dollars and no more than thirty million NT dollars (inclusive) shall be submitted to the president for approval, and the one with an amount more than thirty million NT dollars shall separately be approved by the board of directors before implementation.

10.2.3 For the Company's asset acquisition or disposal which requires

approval of the board of directors according to the handling procedures set up by the Company or other statutory laws and regulations, if any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.

10.2.4 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when following the stipulation to submit an asset acquisition or disposal transaction to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.

10.2.5 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, any material asset transaction shall be agreed by the majority of the entire body of audit committee members and submitted to the board of directors for resolution. In the case that the transaction fails to pass the approval of the majority of the entire body of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

10.2.6 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

10.3 Execution unit

When acquiring or disposing membership cards or intangible assets, the Company's responsible personnel shall submit the proposal in accordance with the aforesaid level of authorization for approval. After obtaining the approval, the use department and financial unit or administrative unit shall be responsible for execution.

10.4 Expert's opinions

10.4.1 For the Company's acquisition or disposal of its membership cards or intangible assets, if the transaction amount is over 20% of the Company's paid-up capital or 300 million NT dollars, unless transacting with a government agency, the Company shall request its CPA before the incident occurrence day to give their opinion on the rationality of the transaction price, for

which the CPA shall follow the Statements of Auditing Standard No. 20 published by ARDF to process the case.

10.4.2 The transaction amount shall be calculated according to the following ways, and the “within one year” as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to obtain their CPA’s opinion report can be exempt from the calculation.

10.4.2.1 The amount of each transaction

10.4.2.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.

11. Handling procedures of acquisition or disposal of financial institutions’ debts

In principle, the Company does not engage in the transactions of acquiring or disposing financial institutions’ debts. In the future, if it plans to engage in acquisition or disposal of financial institutions’ debts, it will submit the proposal to its board of directors for approval, followed by setting up the evaluation and operation procedures after obtaining the approval.

12. Handling procedures of derivative product transactions

12.1 Transaction principle and orientation

12.1.1 Transaction categories

The derivative products referred to in “4.1” of the Procedures

12.1.2 Operating (hedge) strategy

When engaging in derivative financial product transactions, the purpose shall be risk hedge. Hence, the products which can hedge the risk accrued from company’s business operation shall be the choice of the Company. The held currencies shall be consistent with the foreign currencies actually required by the Company in its import and export transactions, in which the Company’s overall internal positions (referring to foreign currency revenue and expenditure) shall break even, so as to reduce the Company’s overall foreign exchange risk and save foreign exchange operation costs.

12.1.3 Authorization and responsibility

12.1.3.1 Transaction personnel

- A. Transaction personnel shall periodically evaluate the positions, pick up market information, judge market trends, measure risks, conduct supervision and control, familiarize themselves with financial products and related laws and regulations, draw up operation strategy proposals, and engage in transactions in accordance with the instructions from competent supervisors and authorized positions.
- B. When the financial market has significant change, transaction personnel shall put forth the evaluation report and recommendations for the risk exposure position in a timely manner and re-draft the strategy, which shall be approved by the competent supervisor before trading further.

12.1.3.2 Accounting personnel

According to related regulations (e.g. the Statements of Financial Accounting Standards, etc), accounting personnel shall adequately present hedge related transactions and profit/loss results on financial statements.

12.1.3.3 Settlement personnel

They are responsible for the issue of settlement of derivative financial product transactions, and shall periodically inspect the cash flow status, so as to ensure that the signed transaction contracts can be settled on a timely manner.

12.1.3.4 Audit unit

It is responsible for understanding the adequacy of the internal control of derivative product transactions and auditing transaction department's compliance with the operation procedures, while it shall also analyze transaction cycles and prepare the auditor's report. In case of finding any material violation, it shall report it to the board of directors, and punish relevant personnel according to the degree of the violation.

12.1.4 Performance evaluation

- 12.1.4.1 Performance evaluation shall be made in accordance with the profit or loss accrued from the difference

between the book value of the Company's foreign exchange cost and the cost of the engaged derivative financial transactions.

12.1.4.2 In order to fully control and present transaction's valuation risk, the Company adopts the monthly closing entry method to evaluate its profit or loss.

12.1.4.3. The financial unit shall provide competent supervisors with foreign exchange position valuation, foreign exchange market trends and market analysis as the reference for management and instruction.

12.1.5 Derivative product transaction limits and authorized limits

12.1.5.1 Hedge transactions (with non-transaction purpose)

The Company's total amount of hedge transaction contracts shall not exceed the total amount of its foreign currency assets and liabilities as of the end of the previous month.

12.1.5.2 Non-hedge transaction (with transaction purpose)

The Company does not engage in non-hedge transaction operation.

12.1.5.3 The authorized limits of derivative product transactions and levels of authorization shall be processed in accordance with the Company's "Regulations Governing Post Authorization and Agency Management".

12.1.6 The limit of loss on derivative product transactions

The ceiling of the loss on the total contracts or individual contract shall be 10% of the amount of the total contracts or the individual contract.

12.2 Risk management measures

12.2.1 credit risk management

The Company's transaction counterparties shall be its correspondent banks or international acknowledged financial institutions which, in principle, can offer professional information.

12.2.2 Market risk management

The Company's derivative product transactions are limited to hedge, and it does not engage in speculative financial operation

12.2.3 Liquidity risk management

In order to ensure market liquidity, the Company mainly selects the financial products with higher liquidity (i.e. they can break even in the market at any time). The financial institution trusted for transactions shall have sufficient information with the trading capacity at any markets.

12.2.4. Cash flow risk management

In order to ensure stable turnover of the Company's working capital, the source of the Company's capital for derivative product transactions shall be proprietary capital, and when determining the operation amount, the capital requirement for future cash revenue and expenditure shall be taken into consideration.

12.2.5 Operation risk management

12.2.5.1 The Company's authorization limits, operation process and internal auditing shall be literally followed, so as to avoid operation risk.

12.2.5.2 The derivative product transaction personnel and confirmation personnel as well as settlement personnel shall not overlap.

12.2.5.3 Risk's measurement, supervision and control personnel and the preceding personnel shall fall in different departments. They shall report to the board of directors or the high-rank competent supervisors not responsible for transaction or position determination respectively.

12.2.5.4 The position held for derivative product transactions shall be evaluated at least once a week. However, the hedge transactions required by business shall be evaluated at least twice a month. The evaluation report shall be submitted to the high-rank competent supervisors authorized by the board of directors.

12.2.6 Commodity risk management

Internal transaction personnel shall have intact and accurate professional knowledge and request banks to fully disclose risks, so as to avoid the risk of misuse of financial products.

12.2.7 Legal risk management

The documents to be signed with financial institutions shall be inspected by the professional personnel in the fields of foreign

exchange, legal affairs, and legal consultation before being formally signed, so as to avoid the legal risk.

12.3 Internal auditing system

Internal auditing personnel shall periodically check the adequacy of the internal control of derivative product transactions, audit transaction department's compliance with the handling procedures of derivative product transactions on a monthly basis, analyze transaction cycling and prepare the auditor's report. In case of finding any material violation, they shall report it to supervisors in writing.

12.4 The principles of the board of directors' supervision management for derivative product transactions

12.4.1 The board of directors shall designate high-rank competent supervisors to supervise and control the risk of derivative product transactions at any time. The management principles are as follow:

12.4.1.1 Periodically evaluate if the current risk management measures are proper, and literally follow the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the Procedures.

12.4.1.2 Supervise the status of transactions and profit/loss. In case of finding any irregularities, required countermeasures shall be taken and the board of directors shall be immediately reported. If the Company has independent directors, they shall attend the board meeting and put forth their opinions.

12.4.2 Periodically evaluate if the performance of derivative product transactions conform to the existing operating strategy and if the assumed risks are within the Company's tolerance.

12.4.3 When engaging in a derivative product transaction, the personnel authorized according to the Handling Procedures shall submit an ex-post report to the next board of directors meeting.

12.5 The Company shall set up a reference book for its derivative product transactions, in which the derivative transaction categories, amounts, the dates approved by the board of directors and the matters required to be prudently evaluated according to "12.2.5.4", "12.4.1.1" and "12.4.2" of the Handling Procedures shall be recorded in detail

for future reference.

13. Merger, split, acquisition or share assignment handling procedures

13.1 Evaluation and operation procedures

13.1.1 When processing merger, split, acquisition or share assignment, the Company shall request its attorney, CPA and underwriter to jointly work on the legal procedures and timetable, and organize a task force to execute the case in accordance with the legal procedures. At the same time, prior to holding a board meeting for the resolution, the Company shall request its CPA, attorney or securities underwriter to give their opinions on the issues regarding the share swap ratio, acquisition price or shareholder's cash distribution, or rationality of other properties, followed by submit them to the board of directors for discussion and approval.

13.1.2 The Company shall produce a public document to shareholders prior to the shareholders' meeting for its important merger, split and acquisition agreements and related matters, which shall be delivered to shareholders together with the expert opinions referred to in "13.1.1" of the Handling Procedures and the notification of the shareholders' meeting, so shareholders can use the expert opinions as the reference in their consideration of the merger, split or acquisition. However, it is not limited to those that can be exempt from holding a shareholders' meeting for resolution of the merger, split or acquisition case by law. In addition, for those companies that participate in merger, split or acquisition, if the shareholders' meeting of any of those participating companies cannot be held due to deficiency in the number of the shareholders present at the meeting or the required votes or as restricted by other legal restrictions, or the resolution or motion is vetoed by the shareholders' meeting, the company shall immediate make public of it, explain the cause and ensuing handling operation and announce the expected shareholders' meeting date.

13.2 Other matters

13.2.1 Dates of the board meeting and shareholders' meeting: Unless otherwise provided by law or other special reasons which shall

be reported to the competent authorities and approved by them in advance, the companies participating in merger, split or acquisition shall hold their board meeting and shareholders' meeting at the same day for resolutions of merger, spin-off or acquisition related matters. For the companies participating in share assignment, unless otherwise provided by law or other special reasons which shall be reported to the competent authorities and approved by them in advance, they shall hold the board meeting at the same day.

13.2.2 The publicly listed companies participating in merger, split, acquisition or share assignment, or the companies whose stocks are traded at securities firms' business outlets shall prepare an intact written record report containing the following data and retain it for five years for future reference:

13.2.2.1 Personnel basic information: including the personnel participating in merger, split, acquisition or share assignment plan prior to the information being made public, or plan execution personnel, and their job titles, names, and ID numbers (passport numbers for foreigners).

13.2.2.2 Dates of important matters: Including the date signing the letter of intent or memorandum and the dates appointing financial or legal consultants, signing contracts and holding board meetings, etc.

13.2.2.3 Important documents and meeting minutes books: including the merger, split, acquisition or share assignment plan, letter of intent or memorandum, important contracts and board meeting minutes books, etc.

13.2.3 The publicly listed companies participating in merger, split, acquisition or share assignment, or the companies whose stocks are traded at securities firms' business outlets shall declare the data prescribed by "13.2.2.1" and "13.2.2.2" in a regulated form to the competent authorities for future reference through the Internet information system within two days after the adoption by the board of directors.

13.2.4 In the case that the company participating in merger, split, acquisition or share assignment is not a publicly listed

company and its stock is not traded at securities firms' business outlets, the publicly listed company or the company whose stock is traded at securities firms' business outlets shall sign an agreement with it, before the case is processed in accordance with "13.2.2" and "13.2.3".

13.2.5 Ex-ante confidentiality commitment: All the personnel participating in or aware of company's merger, split, acquisition or share assignment plan shall issue their confidentiality commitment in writing to commit not to externally disclose the content of the plan before the information is made public. They are also not allowed to trade the stocks of the companies or the equity-link securities related to the merger, split, acquisition or share assignment case under their names or under the names of others.

13.2.6 Principle of setting up and changing the share swap ratio or acquisition price: In principle, the share swap ratio and acquisition price shall not discretionarily change. However, it is not limited to circumstance where the contract has already allowed the change and it has been publicly disclosed. The terms for change of the share swap ratio and acquisition price are as follows:

13.2.6.1 Processing capital increase in cash, issue of convertible corporate bonds, scrip issue, and issue of corporate bonds with warrants, preferred shares with warrants, warrants and other equity-linked securities.

13.2.6.2 The behavior of disposal of Company's material assets which may affect the Company's financial business.

13.2.6.3 The situation where material disasters occur or technology is significantly reformed which may affect the equity of company's shareholders or securities prices.

13.2.6.4 The adjustment made by any of the companies participating in merger, split, acquisition or share assignment by repurchasing the treasury stock.

13.2.6.5 The number of the entities participating in merger, split, acquisition or share assignment increases or decreases.

13.2.6.6 The contract has allowed change of terms and it has

been publicly disclosed.

13.2.7 The matters required to be stated in the contract: The merger, split, acquisition or share assignment contract shall state the rights and obligations of the companies participating in merger, split, acquisition or share assignment. In addition, the following matters shall also be covered by the contract:

13.2.7.1 Violation handling

13.2.7.2 The handling principle for the equity-link securities or treasury shares issued or repurchased by a company prior to its extinction as a result of merger or its split.

13.2.7.3 The number of treasure shares which may be repurchased by law by the participating companies after the base day calculating the share swap ratio, and the handling principle.

13.2.7.4 The handling method for increase or decrease of the number of the participating entities.

13.2.7.5 Plan execution schedule and expected completion schedule.

13.2.7.6 The handling procedures for calling a shareholders' meeting which shall be held by law when the plan is not completed in due time.

13.2.8 When the number of the companies participating in merger, split, acquisition or share assignment changes: For any of the companies participating in merger, split, acquisition or share assignment, if they plan to have merger, split, acquisition or share assignment with other companies after the information is made public, except that the number of the participating companies reduces and the board of shareholders already resolved to authorize the board of directors to change the authorization, the participating companies can be exempt from holding the shareholders' meeting again for resolution. In addition, for the original merger, split, acquisition or share assignment case, the procedures or legal act which has been completed shall be re-processed by all the participating companies.

13.2.9 For the companies participating in merger, split, acquisition or share assignment which are not publicly listed companies, the Company shall sign an agreement with them and follow

“13.2.1” to “13.2.5” and “13.2.8” of the Handling Procedures to process the case.

14. Procedures of public disclosure of information

14.1 Matters required to be announced and declared, and announcement and declaration standards

14.1.1 The real estate acquired or disposed from a related party or other assets (beyond real estate) acquired or disposed from a related party in which the transaction amount is over 20% of the Company's paid-up capital, 10% of its total asset amount or 300 million NT dollars. However, it is not limited to purchase or sale of government bonds, the bonds with a repurchase or reverse repurchase agreement or subscription or redemption of domestic money market funds.

14.1.2 When processing merger, split, acquisition or share assignment.

14.1.3 The loss on derivative product transactions tops the ceiling amount regulated in the Handling Procedures for loss on total contracts or individual contract.

14.1.4 Except the asset transactions stated in the preceding three sub-paragraphs, the transaction amount of the debts disposed by financial institutions or the investment in mainland China is over 20% of the Company's paid-up capital or 300 million NT dollars. However, it is not limited to the following circumstances:

14.1.4.1 Purchase or sale of government bonds

14.1.4.2 Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.

14.1.4.3 The bonds with a repurchase or reverse repurchase agreement or subscription or redemption of domestic money market funds.

14.1.4.4 The category of the acquired or disposed assets falls in the machinery equipment for the business purpose, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT

dollars.

14.1.4.5 The real estate is acquired or disposed by the Company for its construction business, the transaction counterparty is not a related party and the transaction amount is less than 500 million NT dollars.

14.1.4.6 The real estate is acquired by the construction assigned by the land owner, the construction assigned for the leased land, the joint construction and allocation of housing units, the joint construction and allocation of ownership percentages, or the joint construction and separate sale, in which the amount that the Company expects to invest in the transaction is less than NT\$500 million.

14.1.5 The transaction amount referred to in "14.1.4" of the Handling Procedures shall be calculated as follows, and the "within one year" as referred to below shall be one year before this time of transaction occurrence day. Those that follow the Procedures to make announcement can be exempt from the calculation.

14.1.5.1 The amount of each transaction

14.1.5.2 The amount of the transactions accumulated within one year which have the same characteristic as the underlying object acquired or disposed by the same transaction counterparty.

14.1.5.3 The amount of the same development project's real estate accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

14.1.5.4. The amount of the same securities accumulatively acquired or disposed (acquisition and disposal shall be accumulated respectively) within one year.

14.2 The time limit for processing announcement and declaration

If the assets acquired or disposed by the company fall in the announcement items as regulated in "14.1" of the Handling Procedures and the transaction amount reaches the amount for announcement and declaration, the announcement and declaration shall be made within two days after the incident occurrence day.

14.3 Announcement and declaration procedures

14.3.1 The Company shall announce and declare the related data on

the website designated by the competent authorities.

14.3.2 The Company shall monthly post the status of the derivative product transactions made by it and its non-local subsidiaries as of the end of the previous month according to the regulated format on the information declaration website designated by the competent authorities before the 10th of each month.

14.3.3. In the case that the Company makes errors or have omissions in its announcement of the items required to be announced as regulated and the errors or omissions shall be corrected, it shall announce and declare all the items again.

14.3.4 When the Company acquires or disposes assets, it shall keep the related contracts, meeting minutes books, reference books, appraisal reports and the opinion report prepared by its CPA, attorney or securities underwriter in the Company. Unless otherwise stated by law, they shall be retained for at least five years.

14.3.5 After the Company announces and declares its transaction in accordance with the preceding article, if any of the following circumstances occurs, the related information shall be announced and declared on the website designated by the competent authorities within two days after the incident occurrence day.

14.3.5.1 Change, termination or removal of originally signed contracts.

14.3.5.2 Merger, split, acquisition or share assignment fails to be completed according to the schedule prescribed by the contract.

14.3.5.3 There is change in the content of the original announcement and declaration.

14.4 Announcement format

14.4.1 When the Company trades the securities of its parent company, subsidiaries or affiliated enterprises at local and foreign stock markets or Gre Tai Securities Market, the announcement format for the items and content required to be announced shall be subject to related statutory laws and regulations.

14.4.2 For the real estate acquired by the construction assigned by the land owner, the construction assigned for the leased land, the joint construction and allocation of housing units, the joint

construction and allocation of ownership percentages, or the joint construction and separate sale, the announcement format for the items and content required to be announced shall be subject to related statutory laws and regulations.

14.4.3 The announcement format for acquired or disposed real estate and other fixed assets and the real estate acquired from a related party shall be subject to related statutory laws and regulations.

14.4.4 The announcement format for the securities acquired neither from the stock exchange market nor from securities firms' business outlets, membership cards, intangible asset trading and financial institution's debt disposal shall be subject to related statutory laws and regulations.

14.4.5 The announcement format for the investment in mainland China shall be subject to related statutory laws and regulations.

14.4.6 For those that engage in derivative product transactions, the announcement format for the announcement to be made within two days after the incident occurrence day shall be subject to related statutory laws and regulations.

14.4.7 For those that engage in derivative product transactions, the announcement format for the announcement to be made before the 10th of each month shall be subject to related statutory laws and regulations.

14.4.8 The announcement format for merger, split, acquisition or share assignment shall be subject to related statutory laws and regulations.

15. Regulations to be followed by the Company's subsidiaries

15.1 The Company's subsidiaries shall follow the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" to set up and execute the "Asset Acquisition or Disposal Handling Procedures".

15.2 Subsidiary's asset acquisition or disposal shall processed in accordance with the Company's regulations.

15.3. In the case that the subsidiary is not a local public company and its asset acquisition or disposal measure up to the announcement and

declaration standard set up in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the Parent company shall process the announcement and declaration on behalf of the subsidiary.

- 15.4 The calculation of the "20% of the Company's paid-up capital or 10% of its total asset amount" referred to in subsidiary's announcement and declaration standard is based on the parent company (the Company)'s paid-up capital or total asset amount.

16. Penalties

When processing asset acquisition or disposal operation, if the Company's managers or responsible personnel violate the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" published by the FSC or the "Asset Acquisition or Disposal Handling Procedures" set up by the Company, the violation shall be reported to the general manager and the violating personnel shall be punished according the degree of seriousness of the violation

17. Implementation and revision

- 17.1 The "Asset Acquisition or Disposal Handling Procedures" set up by the Company and approved by its board of directors shall be sent to respective supervisors and submitted to the board of shareholders for approval. The same shall also apply in case of any revision. If any director shows any objection which is on record or in a written statement, the Company shall send the director's objection data to respective supervisors.
- 7.2 Those that have independent directors as prescribed by the Securities and Exchange Act shall take independent directors' opinions into account when submitting the "Asset Acquisition or Disposal Handling Procedures" to the board of directors for discussion. Any opposed opinions or qualified opinions from independent directors shall be recorded in the board meeting minutes book.
- 17.3 For those that have set up the audit committee as prescribed by the Securities and Exchange Act, the institution or revision of the "Asset Acquisition or Disposal Handling Procedures" shall be agreed by the majority of the entire body of audit committee members before being submitted to the board of directors for resolution. In the case that the institution or revision fails to pass the approval of the majority of the

entire body of audit committee members, it can still be implemented if agreed by over two-thirds of the entire body of directors, in which the resolution adopted by the audit committee shall be recorded in the board meeting minutes book.

- 17.4 The aforesaid entire body of audit committee members and entire body of directors shall be calculated according to the incumbent members and directors.

18. Supplementary provisions

- 18.1 For those that have followed the Securities and Exchange Act to set up the audit committee, the regulations for supervisors stipulated in the Procedures are also applicable to the audit committee.
- 18.2 For those that have followed the "Securities and Exchange Act" to set up the audit committee, "9.3.5.2" of the Procedures is also applicable to the independent directors of the audit committee.
- 18.3 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the 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.
- 18.4 The matters not covered by the Handling Procedures shall be subject to related laws and regulations.