

Chang Wah Technology Co., Ltd.
Procedures for Acquisition or Disposal of Assets

Chapter I General Provisions

Article 1: Purpose and legal basis

To safeguard investments and implement information disclosure, the Procedures for Acquisition or Disposal of Assets ("Procedures") are established pursuant to Article 36-1 of the Securities Exchange Act and provisions of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" drawn up by the Financial Supervisory Commission of the Republic of China ("FSC"). Acquisition or disposal of the Company's assets shall comply with the Procedures. Matters not set forth in the Procedures shall be handled in accordance with relevant laws and regulations.

Article 2: Scope of application

Assets in the Procedures refer to:

1. Marketable securities: including investments in stocks, government bonds, corporate bonds, financial bonds, marketable securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary securities and asset-backed securities;
2. Real estate (including land, houses and buildings, and investment property), plants and equipment;
3. Membership certificates;
4. Intangible assets: including patents, copyrights, trademarks and franchise rights;
5. Right-of-use assets;
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables);
7. Financial derivatives;
8. Assets acquired or disposed through mergers, spin off, acquisitions or transfers of shares by laws; and
9. Other important assets.

Article 3: Assessment and procedures

1. Regarding long and short-term securities investments or financial derivatives transaction, the department applying for the transaction shall submit an evaluation report to be approved by the authorized approval authority.
2. Regarding acquisition or disposal of real estate, equipment or right-of-use

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assets thereof and other assets due to business needs, the applying department shall state the reasons based on actual requirements or via a special project, submit relevant information after prudent evaluations through procedures such as price inquiry, comparison and negotiation, and consult with relevant departments before having the application reviewed by the Company's approval authority. For matters set forth in Article 185 of the Company Act, a resolution from the shareholders' meeting is required.

3. Regarding acquisition or disposal of intangible assets or right-of-use assets thereof or membership certificates, the applying department shall submit the transaction terms or the prices with reference to the evaluation reports issued by the experts or the fair value of the market to be reviewed by the Company's approval authority pursuant to the rules for fixed asset acquisitions.
4. Transactions with related parties shall be conducted in accordance with provisions under Chapter II of the Procedures. For mergers, spin off, acquisitions or transfers of shares, provisions under Chapter IV of the Procedures shall apply.

Article 4: Method and basis for pricing

1. Regarding acquisition or disposal of real estate, equipment or right-of-use assets thereof, except for transactions with domestic government agencies, commissioned construction on land owned or leased by the Company or acquisition or disposal of operating equipment or right-of-use assets thereof, the Company shall obtain an appraisal report produced by a professional appraiser before the date of occurrence and meet the following criteria when the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300,000,000:
 - (1) When a limited price, specific price or special price must be used as reference for the transaction price due to special circumstances, the transaction shall be submitted to the board of directors (the Board) for approval. The same procedures shall apply for any subsequent changes to the transaction terms.
 - (2) When the transaction amount exceeds NT\$1,000,000,000, appraisals from two or more professional appraisers are required.
 - (3) If any of the following situation occurs, unless all appraisal values for asset acquisition are higher than the transaction amount or all appraisal values for asset disposal are lower than the transaction amount, the Company shall contact certified public accountants (CPAs) to express

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specific opinions on the reasons for the discrepancy as well as the fairness of the transaction price:

- A. The difference between the appraisal values and the transaction amount exceeds 20 percent of the transaction amount.
 - B. The difference between the appraisal values from two or more professional appraisers exceeds 10 percent of the transaction amount.
- (4) The date of report issued by a professional appraiser shall not be more than three months earlier than the contract date. However, if the publicly announced value of the same period is applicable and the report is issued within six months, the original professional appraiser may issue an opinion.
2. Regarding acquisition or disposal of marketable securities, the Company shall obtain the target company's latest CPA-audited or reviewed financial statements as a reference for assessing the transaction price before the date of occurrence. In addition, where the transaction amount exceeds 20 percent of the Company's paid-in capital or NT\$300,000,000, the Company shall, before the date of occurrence, contact CPAs to express opinions on the reasonableness of the transaction price. However, the rules do not apply if quoted prices from an active market are available for such marketable securities or the FSC has regulated otherwise.
 3. Where the transaction amount of the Company's acquisition or disposal of intangible assets or right-of-use assets thereof, or membership certificates exceeds 20 percent of the Company's paid-in capital or NT\$300,000,000, except for transactions with domestic government agencies, the Company shall, before the date of occurrence, contact CPAs to express opinions on the reasonableness of the transaction price.
 4. The transaction amount in the preceding three paragraphs shall be calculated in accordance with Article 7, paragraph 1, subparagraphs 7. The "within one year" means one year calculated retrospectively from the date of transaction. The part for which the Company has obtained appraisal reports produced by professional appraisers or CPA's opinions in accordance with the Procedures shall not be included.
 5. Where the Company acquires or disposes of assets through court auctions, certificates issued by the court may substitute for appraisal reports or CPAs' opinions.
 6. Financial derivatives transactions shall take into account trading conditions of the futures market as well as trends of exchange rates and interest rates.

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Prices are determined in accordance with provisions under Chapter III of the Procedures.

7. Regarding merger, spin off, acquisition or transfer of shares, the business nature, book value per share, assets value, technical competence, profitability, production capacity and future growth potential of the target company shall be taken into account. Prices are determined in accordance with provisions under Chapter IV of the Procedures.

Article 5: Authorization limits and levels

Regarding acquisition or disposal of assets, the authority officer shall proceed in accordance with the procedures for fixed assets and investments under the internal control system of the Company. The approval process is carried out based on the following authorization scopes:

1. Operating and non-operating real estate, equipment or right-of-use assets thereof shall be approved by the Board. However, the Board may authorize the chairperson to make decisions for transactions within a certain amount based on the authorization levels set forth in the rules governing the delegation of duties.
2. Other important assets, intangible assets or right-of-use assets thereof, or membership certificates required for business operation shall be approved by the Board. However, the Board may authorize the chairperson to make decisions for transactions within a certain amount based on the authorization levels set forth in the rules governing the delegation of duties.
3. Acquisition or disposal of marketable securities investments is subject to the authorization levels set forth in the rules governing the long and short-term investments of the Company.
4. The total amount of non-operating real estate or right-of-use assets thereof or marketable securities acquired individually by the Company and its subsidiaries and the investments on individual marketable securities shall be subject to the limits below. Investments where the Company and its subsidiaries participate in the establishment or act as directors or supervisors and intend to hold on a long-term basis may be excluded when calculating the ratios under subparagraphs 4.
 - (1) The total amount of non-operating real estate or right-of-use assets thereof shall not exceed 30 percent of the net worth in respective companies' latest financial statements.
 - (2) The Company's total amount of investments in marketable securities

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shall not exceed 500% of its net worth in the latest financial statements. A subsidiary's total amount of investments in marketable securities shall not exceed 300% of the Company's net worth in the latest financial statements.

(3) The Company's amount of investments in a single marketable security shall not exceed 500% of its net worth in the latest financial statements. A subsidiary's amount of investments in a single marketable security shall not exceed 300% of the Company's net worth in the latest financial statements.

(4) The respective long and short-term net investments of the Company and its subsidiaries in a listed or over-the-counter company shall not exceed 30 percent of the net worth in the Company's latest financial statements.

(5) The respective short-term net investments of the Company and its subsidiaries shall not exceed 30 percent of the net worth in respective companies' latest financial statements.

5. Regarding financial derivatives transactions, besides taking into account the Company's sales growth and changes in risk exposure, the in-charge staff shall draw up an approval request for each transaction due to security concerns. The request shall be approved by the authority officer followed by the chairperson before the transactions can be executed. Modifications shall also be approved by the chairperson. Due to time constraints, the in-charge staff may obtain verbal consents from the authority officer and the chairperson first and submit the approval requests afterwards. The transaction amount is subject to provisions under Chapter III of the Procedures.

6. Regarding acquisition of real estate or right-of-use assets thereof from related parties, documents shall be prepared in accordance with provisions under Chapter II of the Procedures and submitted to the Board for approval.

7. Regarding merger, spin off, acquisition or transfer of shares, procedures and documents are subject to provisions under Chapter IV of the Procedures. Mergers, spin offs and acquisitions shall be approved by the shareholders' meeting, unless otherwise specified in other laws and regulations. Transfers of shares shall be approved by the Board.

Article 6: Implementation departments and transaction processes

Acquisition or disposal of assets shall be approved in accordance with

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provisions specified below and where necessary, the Board may review the application:

1. Acquisition or disposal of long and short-term marketable securities – President Office and Finance and Accounting Division shall proceed in accordance with the rules governing the long and short-term investments of the Company.
2. Acquisition or disposal of real estate or right-of-use assets thereof or other fixed assets – Management Division or user department shall conduct a detailed market survey and submit the survey report as well as appraisal reports produced by professional appraisers to the president and chairperson for approval.
3. Acquisition or disposal of intangible assets or right-of-use assets thereof, or membership certificates – once the application is approved in accordance with the authorization levels, the user department along with the Finance and Accounting Division or the Management Division shall be responsible for executing the transaction.
4. Financial derivatives transaction – As derivative trading features quick changes, significant amount, frequent transactions and complex computation, the Finance Division is designated to carry out the transaction and relevant management works. Confirmation and settlement shall be performed by different staff.
5. The implementation department of merger, spin off, acquisition or transfer of shares shall be designated by the chairperson. Transactions shall be executed in compliance with laws and regulations.

Article 7: Public disclosure of information

1. Items to be publicly disclosed and reported and the standards for public disclosure and reporting
 - (1) Acquisition or disposal of real estate or right-of-use assets thereof from or to a related party or acquisition or disposal of assets other than real estate or right-of-use assets thereof from or to a related party with transaction amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$300,000,000. This does not apply to the purchase or sale of domestic government bonds, bonds with repurchase or resale agreements, nor the subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 - (2) Engagement in a merger, spin off, acquisition or transfer of shares.

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- (3) Financial derivatives transactions with losses exceeding the upper limit for aggregate or individual contracts as stipulated in the Procedures.
- (4) Acquisition or disposal of assets classified as operating equipment or right-of-use assets thereof from or to a non-related party with transaction amount satisfying one of the following conditions:
 - A. Paid-in capital is less than NT\$10,000,000,000 while the transaction amount exceeds NT\$500,000,000.
 - B. Paid-in capital exceeds NT\$10,000,000,000 but is less than NT\$50,000,000,000, the transaction amount exceeds NT\$1,000,000,000.
 - C. Where the Company's paid-in capital is NT\$50,000,000,000, or more, the transaction amount reaches 5% or more of the Company's paid-in capital.
- (5) Real estate acquired by means of contracting others to construct on land owned or leased by the Company, distributing housing units in a joint construction project, distributing profit in a joint construction project or selling housing units separately in a joint construction project from a non-related party with the expected transaction amount exceeding NT\$500,000,000.
- (6) Where the Company's paid-in capital is NT\$50,000,000,000 or more, and the transaction involves government bonds, ordinary corporate bonds, or general bank debentures without equity characteristics (excluding subordinated bonds) that are traded on a securities exchange or at a securities firm's place of business, and such transaction does not fall under any of the proviso conditions set forth in Subparagraph 8, and the counterparty is not a related party, the transaction amount reaches 5 percent or more of the Company's paid-in capital.
- (7) Asset transactions other than the ones described in the preceding six subparagraphs or investments in China with transaction amount exceeding 20 percent of the Company's paid-in capital or NT\$300,000,000. However, the following circumstances are not subject to the aforementioned requirements:
 - A. Purchase or sale of domestic government bonds or overseas government bonds with credit ratings equal to or above the sovereign rating of Taiwan.
 - B. Purchase or sale of bonds with repurchase or resale agreements or the subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

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The aforementioned transaction amount shall be calculated as follows:

- (1) The amount of each transaction.
- (2) The cumulative amount of acquisition or disposal of subject matters in the same category from or to the same counterparty within one year.
- (3) The cumulative amount of acquisition or disposal of real estate or right-of-use assets thereof of the same development project within one year (the acquisition and disposal amounts shall be accumulated separately).
- (4) The cumulative amount of acquisition or disposal of the same marketable securities within one year (the acquisition and disposal amounts shall be accumulated separately).

The "within one year" referred to in the preceding paragraph means one year calculated retrospectively from the date of transaction. The part which has been publicly disclosed in accordance with relevant provisions shall not be included.

2. Deadline for public disclosure and reporting

If the Company's acquisition or disposal of assets meets criteria in the preceding paragraph and the transaction amount meets the requirements for public disclosure and reporting, the Company shall disclose and report the transaction within two days counting inclusively from the date of occurrence.

3. Procedures for public disclosure and reporting

- (1) The Company shall disclose and report relevant information on the website designated by the FSC.
- (2) The Company shall update the status of financial derivatives transactions engaged by the Company and its subsidiaries that are not domestic public companies as of the end of the previous month in the prescribed format at the information reporting website designated by the FSC before the tenth of each month.
- (3) If the Company has to amend errors or omissions in items disclosed, the Company shall publicly disclose and report all items again within two days counting inclusively from the date it becomes aware of such errors or omissions.
- (4) Regarding the acquisition or disposal of assets, the Company shall keep related contracts, meeting minutes, memorandums, appraisal reports and opinions of CPAs, lawyers or securities underwriters available at its office. Unless otherwise provided in other laws, these documents shall

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be retained for a minimum of five years.

(5) After publicly disclosing and reporting transactions in accordance with the Article, the Company shall, under any of the following circumstances, publicly disclose and report related information on the website designated by the FSC within two days counting inclusively from the date of occurrence:

A. Contracts signed in relation to the original transaction is amended, terminated or cancelled.

B. Merger, spin off, acquisition or transfer of shares fails to be completed as scheduled.

C. Details of the original disclosure and reporting have been changed.

Article 8: Controls over acquisition or disposal of assets by subsidiaries:

1. Subsidiaries of the Company shall also establish the "Procedures for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" by the FSC.
2. Acquisition or disposal of assets by subsidiaries shall be in compliance with their own "internal controls" and "Procedures for Acquisition or Disposal of Assets". Subsidiaries shall submit a summary of their acquisition or disposal of assets in the previous month and the status of financial derivatives transactions engaged as of the end of the previous month to the Company before the fifth of each month. The audit unit of the Company shall include the acquisition or disposal of assets by subsidiaries as an annual audit item and the audit outcome shall be a mandatory item in the reporting of audit operation to the Audit Committee and the Board.
3. Where the subsidiary is not a domestic public company and its asset acquisition or disposal meets the requirements for public disclosure and reporting, the Company shall make public disclosure and reporting on behalf of the subsidiary. The subsidiary shall inform the Company within one day from the date of occurrence and the Company shall disclose and report relevant information on the designated website within two days counting inclusively from the date of occurrence in accordance with relevant provisions. The subsidiary's public disclosure and reporting standards concerning paid-in capital or total assets shall be based on the Company's paid-in capital or total assets.

Article 9: Penalties

Employees who undertake asset acquisition or disposal and violate the

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"Regulations Governing the Acquisition or Disposal of Assets by Public Companies" and the Procedures would be penalized depending on the severity of the case in accordance with the Personnel Management Rules of the Company.

Chapter II Related Party Transaction

Article 10: Identification basis

Regarding the acquisition or disposal of assets between the Company and its related parties, in addition to complying with the Procedures and this Chapter for resolution procedures and reasonableness assessments on the transaction terms and conditions, where the transaction amount exceeds 10 percent of the Company's total assets, appraisal reports produced by professional appraisers or CPA's opinions shall also be obtained in accordance with Article 4 herein.

The transaction amount in the preceding paragraph is calculated in accordance with Article 4, paragraph 4 herein.

The "related parties" herein is determined by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Article 11: Resolution procedures

Where the transaction amount of acquisition or disposal of real estate or right-of-use assets thereof from or to a related party or acquisition or disposal of assets other than real estate or right-of-use assets thereof from or to a related party exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$300,000,000, except for the purchase or sale of domestic government bonds, bonds with repurchase or resale agreements, and the subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the implementation department shall submit the following information to the Audit Committee and the Board and obtain their approvals before signing the transaction contract and making payments:

1. Purpose, necessity and expected benefits of the asset acquisition or disposal.
2. Reasons for choosing the related party as the counterparty.
3. Information related to the reasonableness assessment on the preliminary transaction terms of the acquisition of real estate or right-of-use assets

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thereof from a related party in accordance with Articles 12 or 13 of the Procedures.

4. Items such as the related party's original acquisition date, price, counterparty and the counterparty's relations to the Company and the related party.
5. Monthly cash flow forecasts of the coming year starting from the estimated contract-signing month and the assessments on necessity of transaction and reasonableness of fund utilization.
6. Appraisal reports produced by professional appraisers or CPAs' opinions which are obtained in accordance with the preceding paragraph.
7. Restrictions and other important covenants of the transaction.

For following transactions between the Company and its parent company or subsidiaries or between subsidiaries whose issued shares or authorized capitals are held 100%, either directly or indirectly, by the Company, the Board may authorize the chairperson to make decisions for transactions within a certain amount in accordance with the Procedures and report it afterwards for acknowledgement in the upcoming Board meeting:

1. Acquisition or disposal of operating equipment or right-of-use assets thereof.
2. Acquisition or disposal of operating real estate right-of-use assets.

Where the Company or its subsidiaries that are not domestic public companies engage in transactions set forth in paragraph 1 with a transaction amount exceeding 10 percent of the Company's total assets, the Company shall submit information set out in paragraph 1 to the shareholders' meeting and obtain its approval before signing the transaction contract and making payments. This rule, however, does not apply to transactions between the Company and its parent company or subsidiaries or between subsidiaries.

The transaction amount in paragraph 1 and the preceding paragraph shall be calculated in accordance with Article 7, paragraph 1, subparagraph 7 herein, and the "within one year" means one year calculated retrospectively from the date of transaction. The part which has been approved by the majority of Audit Committee members and the Board as well as the shareholders' meeting in accordance with the Procedures shall not be included.

Article 12: Assessment on reasonableness of transaction terms and conditions

Except for situations where the real estate or right-of use assets thereof is acquired by the related party via inheritance or as a gift; the related party

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signed the acquisition contract for the real estate or right-of use assets thereof more than five years before the date of this transaction; the real estate is acquired through a joint construction contract between the Company and the related party or by contracting the related party to construct on land owned or leased by the Company; or the operating real estate right-of-use assets is acquired by the Company with its parent company or subsidiaries or by subsidiaries whose issued shares or authorized capitals are held 100%, either directly or indirectly, by the Company, when the Company acquires real estate or right-of-use assets thereof from a related party, the reasonableness of transaction costs shall be assessed by the following methods and CPAs shall be engaged to review and express specific opinions:

1. Based on the related party's transaction price plus the necessary interest of funding and the cost to be borne by the buyer by law. The "necessary interest of funding" is calculated using the weighted average interest rates for borrowings in the year the Company acquired the assets. However, the interest rate shall not exceed the maximum borrowing rate of non-financial industry announced by the Ministry of Finance.
2. Total loan value appraised by the financial institution if the related party has been granted a mortgage loan on the subject matter from the financial institution, provided that the cumulative amount lent by the financial institution shall exceed 70 percent of the total appraised loan value and the loan period shall exceed one year. However, this shall not apply where the financial institution and one of the transaction parties are related parties to each other.

Where both land and buildings of the same subject matter are purchased or leased in one transaction, the transaction cost of the land and buildings may be assessed separately by one of the methods in the preceding two paragraphs.

Article 13: Actions to be taken when the imputed transaction cost is lower than the transaction price

When the transaction costs assessed pursuant to the preceding article are all lower than the transaction price, actions shall be taken in accordance with paragraph 3, except for circumstances below with objective evidences submitted and specific opinions on reasonableness from professional real estate appraisers and CPAs obtained.

1. Where the related party acquires bare land or leased land for construction, it may submit evidences of compliance with one of the following

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conditions:

- (1) With the bare land assessed by method set forth in the preceding article and buildings assessed on the basis of the related party's construction cost plus reasonable construction profit, the total amount exceeds the actual transaction price. The "reasonable construction profit" refers to the profit calculated by the lower of the 3-year average gross margin of the related party's construction department or the latest gross margin of the construction industry released by the Ministry of Finance.
 - (2) Transactions completed by non-related parties within one year involving other floors of the same subject matter or in the neighborhood area with similar land area and equivalent transaction terms, adjusting for reasonable price difference in floor or location according to standard real estate or leasing market practices.
2. The Company provides evidence that the real estate acquired or the real estate right-of-use assets leased from a related party has transaction terms equivalent to transactions of non-related parties concerning real estate with similar land areas in the neighborhood within one year.

The transactions "in the neighborhood" basically refers to real estate in the same or neighboring street within 500 meters from the subject matter or with similar publicly announced value. The "with similar land areas" basically means the land areas in the non-related party transaction is no less than 50% of the subject matter. The "within one year" means one year calculated retrospectively from the date of acquiring the real estate or right-of-use assets thereof.

Regarding the acquisition of real estate or right-of-use assets thereof from a related party, if the transaction cost assessed in accordance with Article 12 and the preceding two paragraphs are lower than the transaction price and circumstances described in paragraph 1 do not occur, the following procedures shall be carried out:

1. Regarding the difference between the transaction price and the assessed cost of real estate or right-of-use assets thereof, the Company shall recognize a special reserve in accordance with Article 41, paragraph 1 of the Securities and Exchange Act and the special reserve shall not be distributed nor used in share issuance for capital increase. If an investor, who accounts for its investment in another company using the equity method, is a public company, the special reserve required pursuant to Article 41, paragraph 1 of the Securities and Exchange Act shall be

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recognized in proportion to the shareholding percentage of the investor in the investee company. The special reserve recognized can be utilized only when valuation losses have been recognized for the assets purchased or leased at a premium, the said assets have been disposed of, relevant lease agreements have been terminated or the said assets have been compensated appropriately or restored to original status, and the approval from the FSC has been obtained.

2. The Audit Committee shall proceed in accordance with Article 218 of the Company Act.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to the shareholders' meeting and transaction details shall be disclosed in the annual report and prospectus.

Chapter III Controls over Financial Derivatives Transaction

Article 14: Principles and guidelines

1. Transaction types: "Financial derivatives" in the Procedure refers to forwards contracts, options contracts, futures contracts, leverage contracts, or swaps contracts with value derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, price or rate indexes, credit ratings or credit indexes or other variables, or a combination of the above contracts, or hybrid contracts or structured products containing embedded derivatives. The aforementioned forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) agreements.
2. Operating or hedging strategies: The Company engages in financial derivatives transactions to hedge risks in operation. Speculative transactions are prohibited. Transactions involving foreign exchange rates and interest rates are engaged primarily for hedging foreign currency risk and interest rate risk in relation to operating activities. Transactions involving derivatives for non-ferrous metals (copper, nickel, silver, palladium, etc.) are engaged primarily to lock in on costs, hedge against inventory valuation risks and adjust inventory levels. Transactions are carried out pursuant to the principles of hedging with prudence.
3. Transaction limits: The total outstanding amount of hedging contracts is capped at hedging requirements arising from actual transactions within

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one year. The outstanding amount of individual contract is capped at US\$2,000,000 or the equivalent in foreign currencies.

4. Loss limits for all contracts as a whole and individual contract
 - (1) Hedging transaction: Hedging transactions are engaged based on the Company's actual needs. As risk exposure has been evaluated and monitored prior to the transaction, the loss limit for all contract as a whole and individual contract is capped at 20 percent of the total contracts.
 - (2) Non-hedging transaction: The Company is prohibited from engaging in non-hedging transactions.
5. Division of authorization and responsibilities
 - (1) Trading personnel: responsible for collecting information, laws and regulations relevant to financial derivatives, designing hedging strategies and disclosing risks. Prior to carrying out a transaction, they shall understand corporate policies and principles, make judgements on market trends and risks, and submit recommendation reports concerning the positions and hedging methods based on operation strategies to be approved by the authorized officer.
 - (2) Confirmation personnel: responsible for confirming the transaction terms with the corresponding banks and affixing official seals on the confirmation documents to be delivered to the banks.
 - (3) Settlement personnel: responsible for settling financial derivatives transactions and regularly reviewing the status of cash flows to ensure timely settlements of contracts.
 - (4) Bookkeeping personnel: responsible for presenting the transactions and gains and losses thereof accurately and fairly on the financial reports in accordance with relevant rules (Statement of Financial Accounting Standards, etc.)
6. Key points in performance evaluation
 - (1) Performances of hedging transactions are evaluated based on the hedging strategies. The Finance Division shall present the performance of previous month to the chairperson in the first week of each month.
 - (2) When abnormal situations are identified during regular evaluations and reviews, the Finance Division shall take necessary actions immediately and report to the chairperson.

Article 15: Risk management measures

For financial derivatives transactions, the Company's risk management scope

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and measures are as follows:

1. Credit risk: Counterparties of the Company are limited to banks having business transactions with the Company or internationally renowned financial institutions, which can provide professional information.
2. Price risk: As losses that may arise from future price fluctuations of financial derivatives are uncertain, once a position is established, rules on loss limit shall be strictly followed.
3. Liquidity risk: The Company's financial derivatives transactions are based on actual transactions to ensure the fulfillment of settlement obligations.
4. Cash flow risk: The trading personnel shall, besides complying with rules concerning authorization limit, monitor cash flows of the Company to ensure sufficient cash for settlement.
5. Operational risk: All personnel shall carry out transactions in compliance with the authorization limits and relevant procedures to avoid operational risks.
6. Legal risk: Before signing, the contracts with financial institutions shall be reviewed by legal personnel to avoid legal risks.
7. Commodity risk: Trading personnel of the Company and corresponding financial institutions shall have complete and correct professional knowledge of the financial derivatives traded. Also, banks are required to fully disclose risks to avoid losses arising from derivatives misuse.

Article 16: Internal audit system

Internal auditors of the Company shall regularly review the adequacy of internal controls concerning financial derivatives transactions, and audit the compliance of trading department with relevant procedures on a monthly basis for audit reports. If a significant violation is identified, they shall immediately report to the chairperson or the top executives appointed by the Board and notify every Audit Committee member in writing.

Article 17: Regular assessments and actions taken for abnormal situation

1. Trading, confirmation and settlement of financial derivatives transactions shall be performed by different personnel. Risk assessment, monitoring and control shall be reported by different departments to the Board or the top executives who do not assume the responsibilities of decision-making concerning trading or positions.
2. Positions in the financial derivatives transactions shall be assessed at least twice a month. The assessment report shall be presented to the top

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executives authorized by the Board. Non-hedged positions shall be placed under constant monitoring.

3. The Board shall supervise and manage in accordance with the following principles:
 - (1) The appointed top executives shall constantly monitor the supervision and control over risks of financial derivatives transactions.
 - (2) Regularly assess whether the performance of financial derivatives transactions is in line with the established management strategies and the risks undertaken are within the Company's risk tolerance.
4. Top executives authorized by the Board shall manage financial derivatives transactions in accordance with the following principles:
 - (1) Regularly assess whether the risk management measures currently in use are adequate and transactions are carried out in accordance with the "Regulations Governing the Acquisition and Disposal of Assets" by the FSC and the Procedures.
 - (2) Monitor transactions and gains or losses thereof. When an abnormal situation is identified, countermeasures shall be adopted and the Board shall be notified immediately. Independent directors shall attend the Board meeting and express opinions.
 - (3) Where relevant personnel are authorized to engage in financial derivatives transactions in accordance with the Procedures, the situation shall be reported afterwards in the upcoming Board meeting.
5. The Company shall prepare a memorandum for financial derivatives transactions detailing the transaction types and amount, resolution date of the Board meeting, regular assessment reports and matters regularly assessed by the Board and the top executives authorized by the Board.

Chapter IV Merger, Spin off, Acquisition or Transfer of Shares

Article 18: For merger, spin off, acquisition or transfer of shares, before convening the Board meeting for a resolution, the Company shall engage CPAs, lawyers or securities underwriters to express their opinions regarding the reasonableness of stock conversion ratio, acquisition price or cash or other assets allotted to shareholders and submit their opinions to the Board for discussion. Opinions on reasonableness from the abovementioned experts are not required when a public company merges with its subsidiary whose shares issued or paid-in capital are 100 percent owned, either directly or indirectly, by the public company or the merger occurs between subsidiaries whose shares issued or paid-in capital are 100 percent owned, either directly or indirectly, by the

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public company.

Article 19: The Company shall prepare a public report to shareholders listing the important contractual terms and relevant matters of the merger, spin off or acquisition before the shareholders' meeting. The report together with expert opinions referred to in the preceding article and the shareholders' meeting notice shall be delivered to shareholders as reference materials in deciding whether to approve the merger, spin off or acquisition; provided, this shall not apply where under other laws and regulations, a shareholders' meeting is not required to approve the merger, spin off or acquisition.

If any of the companies participating in the merger, spin off or acquisition is unable to convene a shareholders' meeting, make a resolution or have the motion passed by the shareholders' meeting, the Company shall immediately explain to the public the reasons, subsequent actions and the date scheduled to convene the shareholders' meeting.

Article 20: Unless otherwise stipulated in other laws or regulations or an approval from the FSC has been obtained beforehand, the Company shall convene the Board meeting and shareholders' meeting on the same day as other participating companies to resolve matters associated with the merger, spin off or acquisition.

Regarding a transfer of shares, unless otherwise stipulated in other laws or regulations or an approval from the FSC has been obtained beforehand, the Company shall convene the Board meeting on the same day as other participating companies.

When participating in a merger, spin off, acquisition or transfer of shares, the Company shall prepare a complete written record detailing the following information and retain it for five years:

1. Basic information of the personnel: including the job title, name and identification card number (or passport number for a foreign national) of everyone who participates in or executes the merger, spin off, acquisition or transfer of shares before the news is disclosed to the public.
2. Dates of important events: including the dates for signing the letter of intent or the memorandum, engaging financial or legal consultants, signing contracts, and convening the Board meetings.
3. Important documents and meeting minutes: including plans, letters of intent or memorandums, important contracts and Board meeting minutes for the merger, spin off, acquisition or transfer of share.

When participating in a merger, spin off, acquisition or transfer of shares, the

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Company shall also report the information set out in subparagraphs 1 and 2 of the preceding paragraph in the prescribed format to the FSC for reference through internet-based information system within two days counting inclusively from the day the resolution is made in the Board meeting.

The Company shall sign agreements with companies participating in the merger, spin off, acquisition or transfer of shares who are not listed nor OTC companies, and take actions in accordance with the preceding two paragraphs.

Article 21: Stock conversion ratio and acquisition price

Stock conversion ratio or acquisition price for merger, spin off, acquisition or transfer of shares shall not be changed arbitrarily except for circumstance set out below and these circumstances shall be stipulated in the merger, spin off, acquisition or transfer of shares contracts:

1. Cash capital increase, issuance of convertible corporate bonds, distribution of bonus shares or issuance of corporate bonds with warrants, preferred shares with warrants, stock option certificates and other equity-type marketable securities.
2. Actions that affect the Company's financial operations, such as a disposal of the Company's material assets.
3. Occurrence of major disasters or significant changes in technology that affect shareholders' equity or share price of the Company.
4. Adjustment due to treasury share buyback pursuant to relevant laws and regulations by one of the companies participating in the merger, spin off, acquisition or transfer of shares.
5. Changes in the entities or the number of companies participating in the merger, spin off, acquisition or transfer of shares.
6. Other conditions which allow changes as stipulated in the contract and have been publicly disclosed.

Article 22: Matters to be included in the contract

In addition to rights and obligations required by the Company Act and relevant laws and regulations, the contract of companies participating in the merger, spin off, acquisition or transfer of shares shall contain the following items:

1. Actions taken for a breach of contract.
2. Guidelines on handling equity-type marketable securities already issued or treasury shares already bought back by companies dissolved due to the merger or split.

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3. The number of treasury stocks a participating company may buy back by law after the record date for the calculation of stock conversion ratio and the handling principles thereof.
4. Actions taken to handle changes in entities or the number of participating companies.
5. Estimated progress schedule and completion date.
6. Estimated date to convene the shareholders' meeting by law and relevant handling procedures when the project fails to be completed as scheduled.

Article 23: Matters requiring attention when the Company participates in a merger, spin off, acquisition or transfer of shares

1. All personnel who participate in or are aware of the merger, spin off, acquisition or transfer of shares project shall sign a written confidentiality agreement. Before the information become public, they shall neither disclose project details to the public nor buy or sell, in their own or other people's names, the shares and other equity-type marketable securities of any companies associated with the merger, spin off, acquisition or transfer of shares.
2. Once the information concerning the merger, spin off, acquisition or transfer of shares becomes public, if any participating company intends to carry out another merger, spin off, acquisition or transfer of shares with other companies, the procedures or legal actions completed in the original project shall be repeated by all participating companies. However, if the number of participating companies has decreased and the shareholders' meeting has resolved to authorize the Board to change the authorization limit, the participating companies are exempt from convening another shareholders' meeting for resolution.
3. The Company shall sign agreements with non-public companies participating in the merger, spin off, acquisition or transfer of shares and take actions in accordance with Article 20 and the preceding two paragraphs of the Procedures.

Chapter V Other Important Matters

Article 24: Other matters requiring attention

1. The professional appraisers and related appraising personnel from whom the Company obtains appraisal reports and the CPAs, lawyers or securities underwriters from whom the Company acquires opinions shall comply with the following rules:

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- (1) They shall not have been sentenced to imprisonment for one year or longer for a violation of the Securities Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. This rule does not apply if three years have passed since completion of the sentence, expiration of the probation, or the pardon.
- (2) They shall not be a related party or a de facto related party to parties of the transaction.
- (3) If appraisal reports from two or more professional appraisers are required, the professional appraisers or their appraisal personnel shall not be related parties or de facto related parties to each other.

Such personnel shall comply with the disciplinary codes of their respective trade associations and rules below when issuing appraisal reports or opinions:

- (1) Before accepting the case, they shall prudently assess their own professional competence, practical experience, and independence.
 - (2) When executing the case, they shall carefully plan and carry out appropriate procedures to draw conclusions, thereby issuing reports or opinions. The procedures, information gathered and conclusions shall be detailed truthfully in the working papers.
 - (3) They shall assess the appropriateness and reasonableness of data sources, parameters and information used item-by-item to serve as the basis for their appraisal reports or opinions.
 - (4) They shall issue a statement attesting to the professional competence and independence of relevant personnel, the completion of assessments on the appropriateness and reasonableness of information used and regulatory compliance.
2. Where the Company's acquisition or disposal of assets shall be approved by the Board in accordance with the Procedures or other laws and regulations, if any director expresses objections on the record or in writing, the Company shall submit such director's objection to the Audit Committee. In addition, when the Company reports the acquisition or disposal of assets to the Board as required, independent directors' opinions shall be fully considered and their consents or objections and the reasons thereof shall be recorded in the meeting minutes.
 3. Material asset transactions or transactions requiring the approval of Audit Committee by law shall be approved by the majority of all Audit

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Committee members and submitted to the Board for approval. The transactions may proceed upon approval from two-thirds or more of all directors if the majority of Audit Committee members do not approve. In such a case, the resolutions of the Audit Committee shall be recorded in the minutes of the Board meeting. The “all Audit Committee members” and “all directors” in the preceding paragraph refer to ones currently holding those positions.

4. The threshold of "10 percent of total assets" in the Procedures is calculated based on the total assets in the latest parent company only or individual financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. For shares with no par value or a par value other than NT\$10, the threshold of 20 percent of the paid-in capital shall be replaced by 10 percent of equity attributable to shareholders of the parent ; the threshold of 5 percent of the paid-in capital shall be replaced by 2.5 percent of equity attributable to shareholders of the parent and the threshold of paid-in capital exceeds NT\$10,000,000,000 shall be replaced by NT\$20,000,000,000 of equity attributable to shareholders of the parent; and the threshold of paid-in capital exceeds NT\$50,000,000,000 shall be replaced by NT\$100,000,000,000 of equity attributable to shareholders of the parent..

Article 25: Implementation and amendment

When the acquisition or disposal of assets is required to be submitted to the Board for discussion or the Procedures are to be adopted or amended, they shall be approved by the majority of all audit committee members and submitted to the Board for a resolution. If the majority of audit committee members do not approve, approval from two-thirds or more of all directors is required; and in such a case, the resolutions of the audit committee shall be recorded in the minutes of the Board meeting.

When the acquisition or disposal of assets or the Procedures are required to be submitted to the Board for discussion, independent directors’ opinions shall be fully considered and their objections or reservations shall be recorded in the minutes of the Board meeting.

The Procedures and amendments thereof come into effect upon approval from the Board and the shareholders’ meeting.

The “all Audit Committee members” in the Procedures and “all directors” in paragraph 1 refer to ones currently holding those positions.