

Chicony Power Technology Co., Ltd.

Regulations Governing the Acquisition and Disposal of Assets

Article 1. Purpose and Merit:

The Procedures are duly enacted in accordance with Article 36-1 of Securities and Exchange Act and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission in an attempt to enhance the Company or the subsidiaries recognized under the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the “Subsidiaries”) on the assets management and implementation of information disclosure.

Article 2. The term “assets” as used in the Regulations includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities, etc.
 2. Real property (including land, houses and buildings, and investment property) and equipment.
 3. Memberships.
 4. Intangible assets (including patents, copyrights, trademarks, franchise rights, etc.)
 5. Right-of-use asset.
 6. Derivatives.
 7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
 8. Other major assets.
- Acquisition or disposal of derivatives, if any, shall follow the Procedures to Engage in Transaction and Disposal of Derivatives of the Company or its subsidiaries.

Article 3. Evaluation on acquisition or disposal of assets, and operating procedures:

1. Long-term and short-term securities investment:
 - (1) In the case of long-term investment, Financial Dept. shall submit the report on investment income and risk assessment to the chairman of board or board of directors for approval, in accordance with the criterial for authority defined under the investment management regulations of the Company or its subsidiaries. In the case of short-term investments, the Finance Dept. shall be subject to the “Level of Authority” of the Company or its subsidiaries.
 - (2) The long-term or short-term securities investment shall be evaluated reasonably in accordance with the requirements defined under the International Financial Reporting Standards which the Company or its subsidiaries shall apply. The various securities documents shall be compiled and registered by the Finance Dept. and then kept in custody centrally or deposited in a safe.
2. Real property or equipment:
 - (1) When engaging in the acquisition or disposal, the Company shall submit the related documents or report on investment cost and evaluation in accordance with the “Level of Authority” and fixed assets management regulations of the Company or its subsidiaries, and also the appraisal report pursuant to Article 4 herein, for approval.
 - (2) Administrative Dept. shall periodically check the book value of any real property or equipment acquired by the Company, in order to verify whether or not the same is covered by the insured value and adjusts the insured value in a timely manner.
3. Intangible assets such as memberships, patents, copyrights, trademarks, franchise rights, etc.:
 - (1) When engaging in the acquisition or disposal, the Company shall submit the related documents, title deeds and analysis report on investment in accordance with the “Level of Authority” of the Company or its subsidiaries for approval.
 - (2) The investment in memberships and intangible assets shall be evaluated reasonably in accordance with the requirements defined under the International Financial Reporting Standards which the Company or its subsidiaries shall apply. The various title deeds, contracts and documents shall be compiled and registered by the Finance Dept. and then deposited in a safe.
4. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law:
 - (1) When engaging in the acquisition or disposal, the Company shall retain a CPA, attorney-at-law, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage via the Finance Dept. Notwithstanding, in case of the Company’s consolidation of any of its subsidiaries of which the issued shares or total capital wholly owned by the Company or the consolidation between the subsidiaries of which the issued shares or total capital wholly owned by the Company, respectively, said expert’s opinion on the reasonableness may be exempted.
 - (2) The Company and a subsidiary of the public company participating in a merger, demerger, or acquisition shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Subparagraph 1 of this paragraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.
 - (3) Upon resolution of the shareholders’ meeting for approval, Financial Dept. shall carry out the relevant operating procedures in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public

Companies” promulgated by Financial Supervisory Commission and the “Level of Authority” of the Company or its subsidiaries.

- (4) The various contracts, documents and securities shall be compiled and registered by the Finance Dept. and then kept in custody centrally or deposited in a safe.
- (5) The Company or a subsidiary participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. When participating in a transfer of shares shall call a board of directors meeting on the day of the transaction with other participating companies.
- (6) The Department of Finance shall prepare a full written record of the information of basic identification data for related participating personnel, dates of material events, important documents and minutes in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission, and retain it for 5 years for reference.
- (7) In order to acquire or dispose of assets derived from merger, demerger, acquisition or share transfer, the Procedures, as well as any other related procedures defined in Section 5 of Chapter 2 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by Financial Supervisory Commission.

Article 4. Procedures to resolve the terms and conditions for transaction:

1. Method to resolve the prices and the authority for reference:

- (1) A public company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a Certified Public Accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the company’s paid-in capital or NT\$300 million or more, the company shall additionally engage a Certified Public Accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
- (2) The acquisition or disposal of real property, equipment or right-of-use asset, if any, shall be reported by the department in charge for approval in accordance with the fixed asset management regulations of the Company or its subsidiaries.
- (3) In acquiring or disposing of real property, equipment or right-of-use asset, where the transaction amount reaches 20% of the Company’s paid-in capital or NT\$300 million or more, the Company, unless transacting with domestic government authority, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use or right-of-use asset, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser who is objective and impartiality and non-substantial relationship with both parties. The appraisal report shall further comply with the following provisions:
 - I. The appraisal shall be made based on fair price basically. Where it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed if the terms and conditions of the transaction are changed. The appraisal report shall also appraise the fair price and limited price or specified price separately, and identify, item by item, the limited or specified conditions and whether such conditions are met for the time being, and also specify the cause for deviation from the fair price and reasonableness thereof, and expressly state whether the limited price or specified price can afford to be a reference basis for the transaction price.
 - II. Where the transaction amount is NT\$1 billion or more, appraisals from 2 or more professional appraisers shall be obtained.
 - III. Where any one of the following circumstances applies with respect to the professional appraiser’s appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a Certified Public Accountant render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (I) The discrepancy between the appraisal results and the transaction amount is 20% or more of the transaction amount.
 - (II) The discrepancy between the appraisal results of 2 or more professional appraisers is 10% or more of the transaction amount.
 - IV. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- (4) Where an acquisition or disposal of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- (5) Where an acquisition or disposal of intangible assets or right-of-use asset or memberships certificates and the Memberships transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government authority, the company shall engage a Certified Public Accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- (6) The calculation of the transaction amounts referred to in this article shall be made in accordance with Paragraph 2, Article 31 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory

Commission for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

- (7) Where conducting a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. Notwithstanding, in the case of the Company's consolidation of any of its subsidiaries of which the issued shares or total capital wholly owned by the Company or the consolidation between the subsidiaries of which the issued shares or total capital wholly owned by the Company, respectively, said expert's opinion on the reasonableness may be exempted.
2. Hierarchy of Authority:
 - (1) The acquisition or disposal of assets shall be subject to the "Level of Authority" of the Company or its subsidiaries. Meanwhile, any transactions which meet the conditions referred to in Paragraph 1, Article 6 herein shall be reported to the Company's or subsidiaries' board of directors for approval upon completion of the authorization procedure. The acquisition or disposal of securities within the limit referred to in Article 7 herein may be carried out immediately upon approval of the chairman of the board, and then reported to the Company's board of directors for ratification. The acquisition or disposal beyond the limit referred to in Article 7 herein shall be carried out only upon discussion and approval of the Company's board of directors.
 - (2) Where the acquisition or disposal of assets shall be subject to resolution by a shareholders' meeting or reported to a shareholders' meeting pursuant to the Company Act or other laws and regulations, the Company shall comply with the laws accordingly.

Article 5. Execution unit:

Financial Dept. shall serve as the execution unit dedicated to short-term and long-term securities investment, and assets acquired or disposed of upon merger, demerger, acquisition or share transfer. The requesting department and related unit in charge shall serve as the execution unit dedicated to real property and equipment and such intangible assets as memberships, patent rights, copyright, trademark rights and franchise rights, etc.

Article 6. Public announcement and regulatory filing standards, contents and procedures:

1. Public announcement and, regulatory filing standards, contents and procedures:

The public announcement and regulatory filing standards, contents and procedures shall be subject to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by Financial Supervisory Commission, and related laws and regulations.
2. Where the public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days upon the Company's awareness of the error or omission.
3. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this article, a public report of relevant information shall be made within 2 days commencing immediately from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.

Article 7. Limits on investment in real property and right-of-use asset other than that for business use or in securities:

1. The total price for acquisition of real property and right-of-use asset other than that for business use and short-term and long-term securities investment shall be no more than the Company's total paid-in capital. Among the other things, the investment in individual short-term securities investment or individual real property and right-of-use asset shall be no more than 30% of the Company's total paid-in capital, and the investment in individual long-term securities investment shall be no more than 60% of the Company's total paid-in capital.
2. The subsidiaries' investment in real property and right-of-use asset other than that for business use and in securities, if any, shall be subject to approval of the chairman of the Company. The limits on investment referred to in the preceding paragraph shall apply to such investment.

Article 8.

1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with Article 4. The calculation of the transaction amount shall be made in accordance with Article 12 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the Financial Supervisory Commission. When judging whether or not a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
2. When the Company intends to acquire or dispose of real property or right-of-use asset from or to a related party, or when it intends to acquire or disposal of assets or right-of-use asset other than real property from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by the Securities Investment Trust Company, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been agreed by the audit committee and approved by the board of directors:
 - (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - (2) The reason for choosing the related party as a trading counterparty.
 - (3) With respect to the acquisition of real property or right-of-use asset from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 16 and Article 17

of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission.

- (4) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty’s relationship to the company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA’s opinion obtained in compliance with the preceding article.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

The Company or a subsidiary of a non-domestic public company has the transaction mentioned in the preceding paragraph, and the transaction amount is more than 10% of the company's total assets, the Company shall submit the documents listed in the paragraph 1 to the shareholders' meeting for approval before signing the transaction contract and making payment. However, the transaction between the Company and its parent, subsidiaries, or between subsidiaries are not subject to this restriction.

3. The calculation of the transaction amounts shall be made in accordance with Paragraph 2, Article 32 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission have been agreed by the audit committee and approved by the board of directors and shareholders' meeting need not be counted toward the transaction amount.
4. With respect to engage in the following transactions between the Company and its parent, subsidiaries or between subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or total capital, the Company’s Board of Directors may pursuant to Paragraph 2 of Article 3 and Paragraph 1 and Paragraph 2 of Article 4 of the Procedures delegate the board chairman to decide on such matters when the transaction amount reaches 10% of the company’s total assets and have the decisions subsequently submitted to and ratified by the next board of directors meeting:
 - (1) Acquisition or disposal of business-use equipment or right-of-use asset.
 - (2) Acquisition or disposal of real property, right-of-use asset.
5. With respect to the acquisition or disposal of equipment for business use between a subsidiary that is a public company and the Company’s parent company or subsidiaries, the requirements referred to in the preceding paragraph shall apply.
6. Where the evaluation made in accordance with Article 16 and Article 17 of the “Regulations Governing the Acquisition or Disposal of Assets by Public Companies” promulgated by Financial Supervisory Commission shows that it is less than the transaction price, Article 18 of the same Regulations shall apply.
7. The transaction price that meets the criteria referred to in Article 6 herein shall be announced publicly in accordance with related laws and regulations.
8. The related party referred to herein shall mean the related party identified under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
9. For the calculation of 10% of total assets under the Procedures, 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.

Article 9. Where the report or opinion provided by the professional appraiser or CPA retained by the Company pursuant to Article 4 herein contains any false statements or conceals any truth, the Company, professional appraiser or CPA shall bear the relevant legal liability pursuant to the relevant requirements.

Article 10. Control procedures for the acquisition and disposal of assets by subsidiaries:

1. A subsidiary shall also in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission and the duly enacted “Procedures to Acquisition and Disposal of Assets,” shall be submitted to the supervisors and the shareholders’ meeting for consent after being resolved by the board of directors. This same provision is applicable mutatis mutandis to an event of an amendment.
2. Where the subsidiary is a company other than a local public company and the assets acquired or disposed of meet the criteria referred to in Article 6, Public announcement and regulatory filing, herein, it shall notify the Company on the date of occurrence of the event and the Company shall proceed with the public announcement and regulatory filing pursuant to Article 6 herein.
3. The “20% of the company’s paid-in capital” referred to in the subsidiary’s public announcement and regulatory filing standards shall be based on the Company’s paid-in capital.

Article 11. Period for maintenance of information and data

Acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Article 12. Where a managerial officer or person-in-charge of the Company or a Subsidiary is found having breached the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission or these Procedures by acquisition and disposal of assets, the offense shall be reported to the Board of Directors for punishment. In case of a significant offense which leads to a huge impairment to the Company, the offender shall be further referred to prosecution according to law.

Article 13. In the event where the Company or a subsidiary submits the Procedures to the board of directors for discussion of the enactment or an amendment, and the acquisition and disposal of assets in accordance with the Procedures or other laws and requirements, and where a director objects and the objection is backed up with a record or in writing, the data of such objection shall be submitted to audit committee or all supervisors.

Where the Company or a subsidiary submits the enactment or amendment, acquisition and disposal of assets transaction,

or in accordance with Paragraph 2 of Article 8 of the Procedures to the board of directors for discussion after establishing independent directors, the Company shall take adequate account of the opinions offered by the independent directors and shall expressly remark such onto the minutes of the board of directors meeting.

After the Company or a subsidiary hereof sets up the audit committee where the handling procedures for major acquisition or disposal of asset case or other law issues are subject to a pass through the audit committee, all such issues shall be subject to consent by one-half of the members of the audit committee and shall be duly resolved in the board of directors meeting. Any matter that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

Article 14. The Procedures shall be put into enforcement after being agreed upon by the audit committee, resolved in the board of directors and submitted to the shareholders' meeting for endorsement. This same provision is applicable mutatis mutandis to an event of an amendment.

Any matter under the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The number of "all audit committee and all directors" of the Procedures, shall be counted as the number of audit committee and directors then actually in office.