

Eternal Materials Co., Ltd.

Procedures for the Acquisition or Disposal of Assets

Article 1: The Procedures for the Acquisition or Disposal of Assets (the Procedures) are formulated to protect the Company's assets and disclose relevant information.

Article 2: The Procedures are formulated in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the authority in charge of securities.

Article 3: Scope:

- I. Securities: 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.
- II. Real property (including land, houses and buildings, and investment property) and equipment.
- III. Memberships.
- IV. Intangible assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including accounts receivable, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

Article 4: Definition:

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institution Merger Act and

other acts, or transfer of shares from another company through issuance of new shares of its own as the consideration therefor (the "transfer of shares") under Paragraph 8, Article 156 of the Company Act.

- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: A real property appraiser or other person duly authorized by the law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: The date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Boards of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Investments in the Mainland China area approved by the Investment Commission, Ministry of Economic Affairs, or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. Most recent financial statements: The financial statements of the Company audited or reviewed by a CPA prior to the acquisition or disposal of assets.

Article 5: The amount of real property and right-of-use assets thereof or securities acquired by the Company and each subsidiary for non-business use is set as follows:

- I. The total amount of real property and right-of-use assets thereof acquired by the Company for non-business use shall be less than 50% of the Company's net value. The total amount of real property and right-of-use assets there of acquired by each subsidiary for non-business use shall be less than 30% of the subsidiary's net value; however, the total amount of real property and right-of-use assets thereof acquired by a subsidiary in Japan or China for non-business use shall be less than 30% of the Company's net value.
- II. Total amount of investments in short-term and long-term securities:
 - (I) The total amount of the Company's investments in the securities of subsidiaries shall be less than 150% of the Company's net value. The total amount of the Company's investments in the securities of companies other than subsidiaries shall be less than 50% of the Company's net value.
 - (II) The total amount of subsidiaries' investments in the securities of subsidiaries of the Company shall be less than 120% of the Company's net value. The total amount of subsidiaries' investments in the securities of companies other than subsidiaries of the Company shall be less than 30% of the Company's net value.
- III. Limits on individual securities:

- (I) The amount of the Company's investments in the securities of a subsidiary shall be less than 100% of the Company's net value. The total amount of the Company's investments in the securities of a company other than a subsidiary shall be less than 30% of the Company's net value.
- (II) The total amount of subsidiaries' investments in the securities of a subsidiary of the Company shall be less than 100% of the Company's net value. The total amount of subsidiaries' investments in the securities of a company other than a subsidiary of the Company shall be less than 15% of the Company's net value.

The net value shall refer to the equity attributable to the owners of the parent company on the balance sheet of the most recent financial statements prepared by the Company pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and audited or reviewed by the CPA.

Article 6: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

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

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- IV. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- V. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- VI. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- VII. They shall issue a statement attesting to the professional competence and

independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 7: The acquisition or disposal of assets and derivatives trading that should be approved by the Board of Directors in accordance with the Procedures, the Company's authorization regulations or other applicable laws or regulations shall be first approved by more than half of the Audit Committee members. If approval of more than half of the Audit Committee members is not obtained, the acquisition or disposal of assets and derivatives trading may be conducted if approved by more than two-thirds of all directors of the Board, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The Audit Committee members and all directors of the Board referred to in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 8: Procedures for acquiring or disposing of real property, equipment or right-of-use assets thereof are as follows:

I. Terms of transaction and degree of authority delegated:

When acquiring or disposing of real property, the department in charge shall refer to the real property's publicly announced current value, appraised value, and actual transaction prices of nearby real property and determine on the terms of transaction and transaction prices and submit an analysis report to the Chairman. When acquiring or disposing of equipment or right-of-use assets thereof, the department in charge shall proceed by means of price inquiries, price comparison, price negotiation, or request for bids. The degree of authority delegated shall be set in accordance with the Company's authorization regulations and Article 7 herein.

II. Appraisal procedures:

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

(I) Where due to special circumstances 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; the same procedure shall also be followed whenever there is any subsequent change in the terms of the transaction.

(II) Where the transaction amount is NT\$1 billion or more, appraisals from two 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 shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

1. The discrepancy between the appraisal result and the transaction amount is 20% of the transaction amount or more.
2. The discrepancy between the appraisal results of two or more professional appraisers is 10% of the transaction amount or more.

(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.

Article 9: Procedures for acquiring or disposing of securities are as follows:

I. Terms of transaction and degree of authority delegated:

(I) Trading market

1. When the Company acquires or disposes of securities that are already traded on the stock exchange or at securities brokers' business offices, transactions shall be determined on the basis of market prices.
2. When the Company acquires or disposes of securities that are not traded on the stock exchange or at securities brokers' business offices, the Company shall take into account the net value per share, profitability, and potential for future development of such securities.

(II) The degree of authority delegated shall be set in accordance with the Company's authorization regulations and Article 7 herein.

II. Appraisal procedures:

The Company acquiring or disposing of securities shall obtain the most recent financial statements of the issuing company, audited or reviewed by a CPA, for reference in appraising the transaction price, and if the 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 CPA to provide an opinion on the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. 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 competent authority.

Article 10: Procedures for acquiring or disposing of memberships or intangible assets are as follows:

I. Terms of transaction and degree of authority delegated:

When acquiring or disposing of intangible assets or right-of-use assets thereof or memberships, the department in charge shall refer to the appraisal report or fair market price and determine on the terms of transaction and transaction prices and submit an analysis report to the Chairman. The degree of authority delegated shall be set in accordance with the Company's authorization regulations and Article 7 herein.

II. Appraisal procedures:

(I) Where the Company acquires or disposes of memberships and the transaction amount reaches 1% of the Company's paid-in capital or NT\$300 million or more, an appraisal report from a professional appraiser shall be obtained.

(II) Where the Company acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 10% of the Company's paid-in capital or NT\$300 million or more, an appraisal report from a professional appraiser shall be obtained.

(III) Where the Company acquires or disposes of memberships or intangible assets or right-of-use assets thereof and the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, 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.

Article 11: 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% of the Company's total assets or more, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with Articles 5~10 and the following provisions. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

I. Appraisal and operating procedures:

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% of the Company's paid-in capital or more, 10% of the Company's total assets or more, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the degree of authority delegated shall be set in accordance with the

Company's authorization regulations and Article 7 herein. The Company shall not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors. When the Company and a subsidiary conducts the acquisition or disposal of equipment or right-of-use assets thereof held for business use or the acquisition or disposal of real property right-of-use assets held for business use, the Chairman may be delegated to decide when the transaction is within a certain amount set forth in the Company's authorization regulations and have the decision subsequently submitted to and ratified by the next Board of Directors meeting:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information on appraisal of the reasonableness of the preliminary transaction terms in accordance with Items 1~4, Subparagraph 2.
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship with the Company and the related party.
- (V) 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.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding paragraph.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.
Transaction amounts that have been resolved by the Audit Committee and approved by the Board of Directors need not be counted toward the transaction amount.

For the calculation of 10% of total assets, the total assets stated in the most recent parent company only financial statements or standalone financial statements prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

II. Evaluation of the reasonableness of transaction costs:

- (I) The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period

of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

- (II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in Item (1).
 - (III) The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with Items (1)~(2) shall also engage a CPA to check the appraisal and render a specific opinion.
- (4) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Items (1)~(2) are uniformly lower than the transaction price, the matter shall be handled in compliance with Item (5). However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
 2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. "Completed transactions involving neighboring or closely valued parcels of land" in principle refer to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; "transactions involving similarly sized parcels" in principle refer to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; "within the preceding year" refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

(V) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Items (1)~(4) are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property or right-of-use asset thereof transaction price and the appraised cost, and shall not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in the Company, then the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the public company's equity stake in the Company.
2. Independent directors on the Audit Committee shall supervise the related party transactions, and may at any time or from time to time investigate the business and financial conditions of the Company, inspect, transcribe or make copies of the accounting books and documents, and request the Board of Directors or managerial personnel to make reports thereon.
3. Actions taken pursuant to the Sub-items A~B shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
4. The Company that has set aside a special reserve according to the regulations shall not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the authority in charge of securities has given its consent.

(VI) When the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Subparagraph 1, and Items (1)~(3) do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the Company with its subsidiaries.

(VII) When the Company acquires real property or right-of-use assets thereof from a

related party, it shall also comply with Item (5) if there is other evidence indicating that the acquisition is not an arms length transaction.

Article 12: The calculation of the transaction amounts referred to in the preceding 4 articles shall be done in accordance with Subparagraph 7, Paragraph 1, Article 16.

"Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 13: In principle, the Company does not acquire or dispose of claims of financial institutions. If the Company intends to acquire or dispose of claims of financial institutions afterwards, it shall formulate the appraisal and operating procedures upon approval of the Board of Directors.

Article 14: Procedures for acquiring or disposing of derivatives are as follows:

I. Type of transaction

- (I) The Company shall only conduct the trading of derivatives set forth in Subparagraph 1, Article 4.
- (II) These procedures shall not apply to the trading of bonds under repurchase agreements.

II. Business (hedge) strategy

The Company shall engage in derivatives trading for the purpose of hedging (including accounting and financial hedging) to avoid risks, such as foreign exchange income and expenses, assets or liabilities arising from the business operations of the Company.

III. Division of responsibility

- (I) Trading personnel: Designated by the Finance Department
 1. Making strategies for the trading of financial products.
 2. Trading in derivatives according to the authority of approval and established strategies.
- (II) Accounting personnel: Designated by the Accounting Department
 1. Reviewing whether transactions are conducted based on the authority of approval and established strategies.
 2. Handling accounting treatment.
- (III) Settling personnel: Designated by the Finance Department
 1. Confirming transactions.
 2. Settling transactions.

IV. Total amount of contracts and upper limit of loss

(I) Total amount of contracts

The total amount of outstanding transactions shall be less than the foreign currency positions or loan positions held by the Company in a day.

(II) The upper limit of loss shall be 30% of the amount of an individual contract or total contracts.

(III) If one of the following circumstances occurs during the term of a contract, the Finance Department shall submit the mitigation report to the President or Chairman in writing within 3 days as the basis for determining whether it shall proceed with a transaction:

1. Where there is a significant change in the financial market and the established strategies are no longer applicable based on the judgement of the trading personnel; or
2. Where the loss reaches the upper limit set forth in this article.

V. Evaluation of performance

(I) Exchange rate: Profit or loss arising from derivatives trading is the basis for the evaluation of performance.

(II) Interest rate: Interest expense incurred at the current or future interest rate level is the basis for the evaluation of performance.

(III) To fully control and express the valuation risks of transactions, the Company shall evaluate the profit or loss on a monthly basis.

VI. Authority of approval

Approved by	Daily Transaction Amount Authorized (Note)	Monthly Transaction Amount Authorized (Note)
Head of Finance Department	Less than US\$2 million (inclusive)	Less than US\$10 million (inclusive)
President	US\$2 million~US\$6 million (inclusive)	US\$10 million~US\$25 million (inclusive)
Chairman	More than US\$6 million	More than US\$25 million

Note: The equivalent in other currencies may apply.

VII. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and report the information in the prescribed format on the information reporting website designated by the authority in charge of securities by the 10th day of each month.

VIII. If the loss of derivatives trading reaches the upper limit of individual or total contracts set forth in Subparagraph 4 of this article, relevant information shall be reported on the information reporting website designated by the authority in charge of securities within 2 days from the date of occurrence of the event.

IX. Risk management measures

(I) Credit risk management

The transaction counterparties of the Company shall be financial institutions with a good reputation and ability to provide professional information.

(II) Market risk management

The market is limited to open foreign exchange transaction markets provided by banks.

(III) Liquidity risk management

To ensure the market liquidity, the Company shall select financial products with higher liquidity as instruments and entrust financial institutions with sufficient information and ability to trade in any market at any time.

(IV) Cash flow risk management

To ensure the stable turnover of working capital, the Company shall fund derivatives trading with its own capital, and the amount of derivatives trading shall be based on the funding need in the cash forecasts.

(V) Operational risk management

The personnel shall abide by the amount authorized by the Company and operating procedures to avoid operational risks.

(VI) Product risk management

The internal trading personnel shall have complete and correct professional knowledge of financial products and require banks to fully disclose product risks.

(VII) Legal risk management

Files signed with financial institutions shall conform to international standards to avoid legal risks.

(VIII) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

(IX) The risk measurement, monitoring, and control personnel shall be assigned to a department different from that of the personnel referred to in the preceding subparagraph, and shall report to the Board of directors or senior management with no responsibility for making decisions on transactions or positions.

(X) The Finance Department shall evaluate the derivatives trading positions held

at least once every week; however, positions for hedge trades required by business shall be evaluated at least twice every month. Evaluation reports shall be submitted to the senior management personnel designated by the Chairman upon authorization of the Board of Directors.

- X. Supervision and management of the Board of Directors
 - (I) The designate senior management personnel shall pay continuous attention to monitoring and controlling derivatives trading risk in accordance with the following principles:
 - 1. The designate senior management personnel shall periodically evaluate whether the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Procedures.
 - 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted, with a report immediately made to the Board of Directors.
 - (II) The Board of Directors shall periodically evaluate whether derivatives trading performance is consistent with the established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
 - (III) The Company shall report to the most recent meeting of the Board of Directors after authorizing the relevant personnel to handle derivatives trading in accordance with the Procedures.
- XI. The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under Subparagraph 9 of this article shall be recorded.
- XII. The internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, independent directors on the Audit Committee shall be notified in writing.

Article 15: Procedures for mergers, demergers, acquisitions, or transfer of shares are as follows:

- I. Appraisal and operating procedures:
 - (I) The Company that conducts 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 have the opinion submitted to the Audit Committee for a resolution in accordance with Article 7, and submit it to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on the reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

- (II) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in Item (1) when sending shareholders the notice of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.

II. Other instructions:

- (I) A company 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 authority in charge of securities is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the authority in charge of securities is notified in advance of extraordinary circumstances and grants consent.
- (II) Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information, and shall not trade, in his/her own name or under the name of another person, in any stock or other equity security of

any company relating to the plan for merger, demerger, acquisition, or transfer of shares.

(III) Companies participating in a merger, demerger, acquisition, or transfer of shares shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, that affects a company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

(IV) The contract for participation in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following in addition to the matters set forth in Article 317-1 of the Company Act and Article 22 of the Business Mergers And Acquisitions Act:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

4. The manner of handling changes in the number of participating entities or companies.
 5. Preliminary progress schedule for plan execution, and anticipated completion date.
 6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (V) After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.
- (VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Items (1), (2), and (5).
- (VII) When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:
1. Basic identification data for personnel:

Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 2. Dates of material events:

Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal adviser, the execution of a contract, and the convening of a board of directors meeting.
 3. Important documents and minutes:

Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

- (VIII) When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set forth in Item (7) to the authority in charge of securities for reference.
- (IX) Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such a company whereby the latter is required to abide by the provisions of Items (7) and (8).

Article 16: Standards for information required to be publicly announced and reported on acquisitions and disposal of assets are as follows:

- I. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% of the Company's paid-in capital or more, 10% of the company's total assets or more, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. Merger, demerger, acquisition, or transfer of shares.
- III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures.
- IV. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.
- V. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
- VI. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20% of the Company's paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances:
 - (I) Trading of domestic government bonds.

(II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

VII. The amount of transactions above shall be calculated as follows. "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the regulations need not be counted toward the transaction amount.

(I) The amount of any individual transaction.

(II) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.

(III) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.

(IV) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

Where the Company conducts the acquisition or disposal of assets required to be publicly announced and whose transaction amount reaches the standard to be publicly announced, a public report of relevant information shall be made within 2 days counting inclusively from the date of occurrence of the event.

A public report of relevant information shall be made in accordance with the following regulations:

- I. A public report of relevant information shall be made on the website designated by the authority in charge of securities.
- II. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and report the information in the prescribed format by the 10th day of each month.
- III. When the Company at the time of public announcement makes an error or omission in an item required by the 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 counting inclusively from the date of knowing of such an error or omission.
- IV. The Company 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, where they shall be retained for 5 years except where another act provides otherwise.
- V. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the regulations, a public report of relevant information shall be made on the information reporting website designated by the authority in charge of securities within 2 days

counting inclusively from the date of occurrence of the event:

- (I) Change, termination, or rescission of a contract signed in regard to the original transaction.
- (II) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- (III) Change in the originally publicly announced and reported information.