

Regulations Governing the Acquisition and Disposal of Assets

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Article 1: Purpose

These Regulations have been specified to protect assets and to fulfill information disclosure in practice.

Article 2: Legal basis

These Regulations are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act") and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" from the Financial Supervisory Commission ("FSC").

Article 3: The term "assets" as used in these Regulations includes the following:

1. Marketable 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.

2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
3. Memberships.
4. Intangible assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

Article 4: Terms used in these Regulations are defined as follows:

1. 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.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to 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.

6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. "Within the preceding year" refers to the year preceding the date of occurrence of the current acquisition or disposal of asset. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.
8. "Most recent financial statements" refers to the financial statements publicly disclosed in line with the laws and have been audited by a certified public accountant prior to the acquisition or disposal of asset.
9. 10% of the Company's total assets: 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.
10. Shares with no par value or whose par value is not NT\$10:
 - (1) For the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.
 - (2) For calculations under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

Article 5: Total amounts of real property and right-of-use assets thereof or securities acquired by the Company and each subsidiary for business use, and limits on individual securities.

The Company and its subsidiaries have set the following limits on acquisition of preceding assets:

1. Total amount of real property and right-of-use assets thereof acquired by the Company and each subsidiary for business use may not exceed 30% of the Company's net worth.

2. Total amount of securities may not exceed 80% of the Company's net worth.
3. Individual securities may not exceed 50% of the Company's net worth.

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

1. May 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.
2. May not be a related party or de facto related party of any party to the transaction.
3. 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 self-disciplinary standards of their respective industry associations and the following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When undertaking 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.
3. They shall undertake an item-by-item evaluation of the appropriateness 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.
4. 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 appropriate and accurate, and that they have complied with applicable laws and regulations.

Article 7: Regulations Governing the Acquisition and Disposal of Property, Equipment, or Right-of-use Assets

1. Evaluation and operating procedures

The Company's acquisition or disposal of property, equipment, or the right-of-use assets thereof, shall be handled in line with the property, plant and equipment circular procedure, which is a part of the Company's internal control system.

2. Transaction terms and approval process

(1) In acquisition or disposal of property or the right-of-use assets thereof, the Company shall either use publicly announced present value, assessed present value, and actual sold price for the real estate in the neighborhood in determining the transaction terms and price, and prepare an analysis report, which shall be submitted to the Chairman. The acquisition or disposal of real estate with amount under NT\$300 million (inclusive) shall be implemented in accordance with the Company's authority and delegation system. Those that exceed NT\$200 million shall be reported to the Board of Directors after the event, and amounts that exceed NT\$300 million may only be implemented upon approval from the Board of Directors.

(2) In acquisition or disposal of property or the right-of-use assets thereof, the Company shall either ask for a quoted price, compare prices, or use bargain process and tender process. The acquisition or disposal of equipment with amount under NT\$300 million (inclusive) shall be implemented in accordance with the Company's authority and delegation system. Those that exceed NT\$200 million shall be reported to the Board of Directors after the event, and amounts that exceed NT\$300 million may only be implemented upon approval from the Chairman and a resolution from the Board of Directors.

(3) With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Audit Committee and the Board of Directors under the Company's procedures or other laws or regulations. Where the position of independent director has been created in accordance with the provisions of the Act, when

a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

3. Implementation Unit

The acquisition or disposal of property, equipment, or its right-of-use assets, the unit responsible thereof and relevant authority and delegation unit shall be in charge of such implementations.

4. Appraisal Report of the Property, Equipment, or Right-of-use Assets

Except transactions with government institutions, contracting third parties to construct on land owned or rented by the Company, or acquisition of equipment for operation purpose, for acquisition or disposal of real estate, equipment, or right-of-use assets by the Company whose amount reaches 20% of the Company's paid-in capital or NT\$300 million, an appraisal report issued by a Professional Appraiser shall be obtained prior to the Date of the Event and the following provisions should be complied with:

- (1) If for any special reason, restricted price, specific price, or special price must be used as a reference for the transaction price, the transaction should be approved by the Board of Directors in advance. The above procedures should also be followed in case the transaction terms are changed subsequently.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) 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 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% or more of the transaction amount.

2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) 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.

The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Article 13, Paragraph 1-8 herein, and "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.
- (5) 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 8: Regulations Governing the Acquisition and Disposal of Marketable Security Investments

1. Evaluation and operating procedures

The trading of marketable securities from the Company shall be handled in line with the investment cycle of the Company's internal control system.
2. Transaction terms and approval process
 - (1) The short-term securities transactions for the purpose of financing conducted at the centralized exchange market or the stock exchange shall be determined by the responsible units in line with market conditions. Transaction amounts less than NT\$100 million (inclusive) shall be implemented in accordance with the Company's authority and delegation system, and those that exceed NT\$100 million may only be implemented upon approval from the Board of Directors.
 - (2) For any securities transaction not conducted at the centralized exchange market or the stock exchange, the most recent CPA-checked, certified, or reviewed financial statement of the target company shall be used as a reference for evaluating the

transaction price. Transaction amounts less than NT\$100 million (inclusive) shall be implemented in accordance with the Company's authority and delegation system, and those that exceed NT\$100 million may only be implemented upon approval from the Board of Directors.

- (3) With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Audit Committee and the Board of Directors under the Company's procedures or other laws or regulations. Where the position of independent director has been created in accordance with the provisions of the Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

3. Implementation Unit

For the acquisition or disposal of securities, the relevant authority and delegation described in the preceding paragraph shall be followed, and the President shall designate a handling unit to carry out the implementations.

4. Obtaining expert's opinion

The Company acquiring or disposing of securities, in which the transaction price reach 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price have to be sought from a certified public accountant prior to the Date of the Event. These requirements are not applicable if such securities have a public price from an active market or where otherwise provided by regulations of the Taiwan Financial Supervisory Commission.

The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Article 13, Paragraph 1-8 herein, and "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 9: Regulations Governing the Related Party Transactions

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 in line with Articles 7, 8, and 10 and the reasonableness of the transaction terms is appraised, the Company shall also adhere to regulations in this Article. If the transaction amount reaches 10 percent 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.

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

2. Evaluation 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 percent or more of paid-in capital, 10 percent 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 redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Audit Committee:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a transaction counterparty.
- (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Items 1, 2, 3, 4, and 6 in Paragraph 3 of this Article.
- (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that

transaction 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.

When the Company or a subsidiary that is not a domestically listed company engages in a transaction described in Clause 1, Paragraph 2 of this Article, and the transaction amount reaches 10% or more of the Company's total assets, the Company may only sign the transaction agreement and pay for the transaction after submitting all information prescribed in Clause 1, Paragraph 2 to the shareholders' meeting and a resolution has been reached. Nevertheless, transactions between the Company and its subsidiaries, or between its subsidiaries, are exempted from this rule.

The transaction amount in Clauses 1 and 2, Paragraph 2 shall be handled in line with Clause 8, Paragraph 1, Article 14, and within the preceding year refers to the year preceding the Date of Occurrence of this transaction. Items that have been approved by the shareholders' meeting, Audit Committee and the Board of Directors according to these Regulations shall not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may delegate the Board Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

- (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (2) Acquisition or disposal of real property right-of-use assets held for business use.

Where the position of independent director has been created in

accordance with the provisions of the Act, when a transaction is submitted for discussion by the Board of Directors pursuant to the Regulations, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

3. Evaluation process of reasonableness of transaction costs

(1) When acquiring real property or right-of-use assets thereof from a related party, the Company 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 percent 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.

(2) 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 the preceding paragraph.

(3) When acquiring real property or right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs, it shall also engage a CPA to check the appraisal and render a specific opinion.

(4) When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding

Article are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 3-5 of this Article. 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 the preceding paragraph in principle refers 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 refers 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.

(5) 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, 3, 4, and 5 in paragraph 3 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
2. Audit Committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the Annual Report and any investment prospectus.

When a special reserve has been set aside under the preceding paragraph, the Company may 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 FSC has

given its consent.

- (6) Where 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 the preceding paragraph 2, and the items 1, 2, and 3 in the preceding paragraph 3 paragraphs 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 parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (7) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the Item 5, Paragraph 3 in this Article if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 10: Regulations Governing the Acquisition and Disposal of Intangible Assets or its Right-of-use Asset or Membership

1. Evaluation and operating procedures
The Company's acquisition or disposal of intangible assets or the right-of-use assets thereof or memberships, shall be handled in line with the property, plant and equipment circular procedure, which is a part of the Company's internal control system.
2. Transaction terms and approval process
 1. In acquisition or disposal of memberships, intangible assets or the right-of-use assets thereof, the Company shall prepare an analysis report. The transaction amount under NT\$300 million (inclusive) shall be implemented in accordance with the Company's authority and delegation system. Those that exceed NT\$300 million may only be implemented upon approval from the Board of Directors.

2. With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Audit Committee and the Board of Directors under the Company's procedures or other laws or regulations. Where the position of independent director has been created in accordance with the provisions of the Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

3. Implementation Unit

In the acquisition or disposal of memberships, intangible assets or the right-of-use assets thereof, the usage department and relevant authority and delegation unit shall be in charge of such implementations.

4. Expert's appraisal report

Except for transactions with government institutions, if the Company's acquisition or disposal of membership or intangible assets or its right-of-use assets reaches 20% of the Company's paid-in capital or NT\$300 million, opinions in respect of a rational transaction price shall be sought from certified public accountant prior to the Date of the Event.

The calculation of the transaction amounts referred to in the preceding articles shall be done in accordance with Article 13, Paragraph 1-8 herein, and "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 11: Regulations Governing the Acquisition and Disposal of Creditors' Rights from Financial Institutions

In principle, the Company does not engage in transactions involving the acquisition or disposal of creditors' rights from financial institutions. If subsequently, the Company wishes to engage in transactions involving the acquisition or disposal of creditors' rights from financial institutions, it will be submitted to the Board of Directors for approval, and relevant evaluation

and operating procedures will be formulated accordingly.

Article 12: Regulations Governing the Acquisition and Disposal of Derivatives Trading

When engaging in transactions involving derivatives, the Company shall adhere to its “Regulations Governing the Derivatives Trading” and pay strict attention to risk management and auditing matters to implement its internal control system.

Article 13: Procedures for conducting mergers, demergers, acquisitions, or transfer of shares

1. Evaluation and operating procedures

- (1) That Company that conducts a merger, demerger, acquisition, or transfer of shares, is advised to engage attorneys, CPAs, and securities underwriters to jointly draft a schedule in line with regulatory requirements, and to form a project team to carry out the legal procedures accordingly. Prior to convening the Board of Directors to resolve on the matter, the Company 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. However, the requirement of obtaining an aforesaid opinion on 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 percent 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 percent of the respective subsidiaries' issued shares or authorized capital.
- (2) When participating in a merger, demerger, acquisition, or transfer of shares, 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 paragraph 1, item 1 of the preceding Article 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 the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.
- (3) 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.

2. Other considerations and procedures

- (1) The Board of Directors meeting date The Company, when participating in a merger, demerger, or acquisition, shall convene a Board 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. The Company, when participating in a transfer of shares, shall call a Board meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- (2) Advanced confidentiality undertaking: 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 may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- (3) Principle of altering share exchange ratio or acquisition price: Prior to convening the Board of Directors to resolve on the matter, the Company 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 shareholders' meeting for deliberation and passage. In principle, the share exchange ratio or acquisition price may not be altered; however, if the contract agreement already stipulates conditions allowing for change, and the conditions have been publicly disclosed, they may be exempted. Circumstances permitting alteration for share exchange ratio or acquisition price:

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 the 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.
- (4) Matters required to be recorded in the contract: In engaging in a merger, demerger, acquisition, or transfer of shares, besides recording the items in line with Articles 317-1 and 317-2 of the Company Act, and Articles 22 and 38 of the Business Mergers and Acquisitions Act, the contract shall also specify the following items.
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.
- (5) Change in number of companies participating in the merger,

demerger, acquisition, or share transfer: 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.

(6) Information storage period in accordance with the law: When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for five 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 external legal counsel, the execution of a contract, and the convening of a Board 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 meetings

(7) Reporting procedures: When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market 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 out in subparagraphs 1 and 2 of the preceding

paragraph to the FSC for recordation.

- (8) 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 company whereby the latter is required to abide by the provisions of the preceding Items 6 and 7 in Paragraph 2.

Article 14: Procedures for Public Disclosure of Information

1. Circumstances and conditions required to be announced or reported
 - (1) 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 percent or more of paid-in capital, 10 percent or more of the Company's total assets, 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.
 - (2) Merger, demerger, acquisition, or transfer of shares.
 - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
 - (4) 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 meets any of the following criteria:
 1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
 - (5) Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in

capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.

- (6) 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.
- (7) Where there is an asset transaction (other than any such transactions referred to in the preceding six subparagraphs), a disposal of receivables to a financial institution, or an investment in mainland China area that reaches 20% or more of paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:
 1. Trading of domestic government bonds or foreign bonds with credit ratings that are no lower than sovereign ratings in Taiwan.
 2. Trading of securities at the stock exchange or over the counter, or purchase of the ordinary corporate bonds or foreign bonds or the general bank debentures without equity characteristics that are offered and issued in the domestic primary market as investment professionals (excluding subordinated debt and the subscription or redemption of securities investment trust funds and futures trust funds), or purchase requisition or sell-back of exchange traded notes (ETN), or acquisition of securities in line with regulations from the TPEX due to underwriting business needs from a securities dealer, who serves as a consultant and recommends securities firms from the TPEX.
 3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (8) The transaction amount from the preceding Paragraphs 1 to 7 shall be calculated as follows, and "within the preceding year" refers to

the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. 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.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

2. Timing for Announcement and Report

When the Company's acquisition or disposal of asset includes items that shall be announced in Paragraph 1 and the transaction amount reaches the announcement and reporting standard in Paragraph 1 the Company shall carry out the announcement and reporting within 2 days of the Date of the Event.

3. Procedures for Announcement and Report

- (1) The Company shall enter relevant data to the information reporting website designated by the Financial Supervisory Commission (FSC).
- (2) 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 enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- (3) When the Company at the time of 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 two days counting inclusively from the date of knowing of such error or omission.
- (4) When acquiring or disposing of assets, the Company 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.

(5) 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 on the information reporting website designated by the FSC within 2 days counting inclusively 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.

4. Announcement Format

The items required to be publicly announced and the format of the announcement shall follow the rules specified by the information reporting website designated by the FSC.

Article 15: The Company's subsidiaries are required to comply with the following requirements:

1. The subsidiaries are also required to formulate the Regulations Governing the Acquisition and Disposal of Assets in line with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and to obtain approval from the subsidiary's Board of Directors and shareholders' meeting. Approval from the subsidiary's Board of Directors and shareholders' meeting are also required when making amendments to the Regulations.
2. Any acquisition or disposal of assets from the subsidiaries shall be implemented in accordance with the Company's Regulations.
3. Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.
4. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in

determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing.

Article 16: Penalty for violations

The Company's employees shall follow the Regulations in acquisition or disposal of assets. Should there be any violation of the Regulations, subsequent castigation is subject to the related Personnel Articles of the Company

Article 17: Implementation and amendments

The Company's Regulations Governing the Acquisition and Disposal of Assets shall be approved by the Audit Committee and submitted to the Board of Directors meeting for resolution; after it is passed by the Board of Directors, it would be sent to the shareholders' meeting for final approval. When the Regulations is amended, the same procedure shall be applied. Where the position of independent director has been created in accordance with the provisions of the Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Article 18: Supplementary Provisions

Any matters not set forth herein shall be governed by the applicable laws and regulations.