

## Taiwan Speciality Chemicals Corporation

### Regulations Governing the Acquisition and Disposal of Assets

#### Article 1 Legal Basis:

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

#### Article 2 Scope of Assets:

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

- I. 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, investment property) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, 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.

The matters related to the acquisition and disposal of these assets shall be handled in accordance with these Procedures.

#### Article 3 Definitions:

- 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: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions 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.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. 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.
- V. 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.
- VI. 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.

- VII. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- VIII. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 4 Amendment to the Operational procedures for Acquisition and Disposal of Assets:

- I. The acquisition or disposal of various assets of the Company shall be approved in accordance with the provisions of the "Guidelines for Hierarchical Responsibilities".
- II. Assessment Procedures and Processes
  - (I) Acquisition of relevant assets:
    - 1. For securities investor, the Finance and Accounting Department shall be responsible for the assessment.
    - 2. For real estate, equipment, and right-of-use assets, the capital expenditure plan shall be formulated in prior by each unit, and the capital expenditure budget shall be compiled after the feasibility assessment is submitted to the Finance and Accounting Department, and then approved in accordance with the provisions of the "Guidelines for Hierarchical Responsibilities" (FP007), and executed and controlled according to the content of the plan.
    - 3. The Finance and Accounting Department shall be responsible for long-term equity investment. After the feasibility assessment, it can only be approved in accordance with the provisions of the "Guidelines for Hierarchical Responsibilities".
    - 4. Memberships and intangible assets such as patents, copyrights, trademarks, and franchises, etc., shall be submitted to the research and development unit for feasibility assessment, and then approved in accordance with the provisions of the "Guidelines for Hierarchical Responsibilities".
    - 5. For a research and development contract, the research and development unit shall conduct a feasibility assessment and then approve it in accordance with the provisions of the "Guidelines for Hierarchical Responsibilities".
  - (II) Disposal of assets:
    - 1. For assets that are real estate or right-of-use assets, the user unit shall fill in an application form or apply for project application, which shall state the reason for disposal and the method of disposal, etc., and submit it to the Finance and Accounting Department for appraisal, whose approval shall be subject to the provisions of the "Guidelines for Hierarchical Responsibilities".
    - 2. For long-term equity investment or short-term securities investors, the Financing and Accounting Department shall be the responsible unit.
    - 3. Intangible assets such as memberships, patents, copyrights, trademarks, and franchises, etc. shall be assessed by the research and development unit.
    - 4. Research and development contracts shall be assessed by relevant business units.
  - (III) After the evaluation work is completed, the evaluation unit shall submit the data for approval in accordance with the provisions of the "Guidelines for Hierarchical Responsibilities" to the relevant departments for execution.
- III. Where the position of independent director has been created in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to Subparagraph 1, 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.

For an audit committee has been established by the Company in accordance with the provisions of the Act, any transaction involving major assets or derivatives with an amount reaching NT\$100 million or more shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution. If approval of one-half or more of all audit committee members as required in the preceding subparagraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" this Article and "all directors" in the preceding subparagraph shall be counted as the actual number of persons currently holding those positions.

Article 5 The methods and references for determining the price of assets acquisition or disposal are as follows:

- I. In acquiring or disposing of real property, equipment, or right-of-use assets, 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, it shall based on paragraph 1 of Article 6 obtain an appraisal report, the appraisal results shall be adopted as the basis for to determine the price, and the level to determine price shall be authorized by the board of directors.
- II. The prices of securities acquired or disposed of at centralized trading markets and over-the-counter trading centers shall be determined according to market transaction prices.
- III. For securities acquired or disposed of in a non-centralized trading market, a reasonable price shall be evaluated by the Financing and Accounting Department in accordance with Article 4 and Paragraph 1 of Article 6 for reference of negotiation of price, and then the price shall be determined according to the negotiation between the buyer and the seller.

Article 6 Acquisition of expert reports:

When the Company acquires or disposes of assets, it shall appoint objective, impartial and independent experts to issue reports according to the types of assets in accordance with the following regulations:

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent 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 to the terms and conditions 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 render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (I) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (II) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

- IV. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

When the Company is acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of FSC.

Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of 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 calculation of the transaction amounts mentioned above shall be done in accordance with Article 13, paragraph 2 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.

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

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange 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. May 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 self-regulatory rules of the industry associations to which they belong and with the following provisions:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When conducting 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.
- III. 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.
- IV. 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 reasonable, and that they have complied with applicable laws and regulations.

Article 7 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:

- I. The total amount of real estate and right-of-use assets or securities that the Company may purchase for non-business use shall not exceed 150% of the paid-in capital or 100% of the net value in the latest financial statement (whichever is higher), the investment in individual securities shall not exceed 100% of the paid-in capital in the latest financial statement; and the total amount of short-term investment and undisposed idle assets or real estate held shall not exceed 70% of the shareholder's equity in the latest financial statement.
- II. The total amount of real estate and right-of-use assets or securities that each of the subsidiaries may purchase for non-business use shall not exceed 150% of the paid-in capital or 100% of the net value in the latest financial statement (whichever is higher), the investment in individual securities shall not exceed 100% of the paid-in capital in the latest financial statement; and the total amount of short-term investment and undisposed idle assets or real estate held shall not exceed 70% of the shareholder's equity in the latest financial statement.

Article 8 Procedures for handling related party transactions:

- I. When a public 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 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 in compliance with relevant regulations. The calculation of the transaction amounts mentioned above shall be done in accordance with Article 13, paragraph 2 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. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
- II. 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 audit committee:
  - (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 regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with related regulations.
  - (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 to 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 article.

(VII) Restrictive covenants and other important stipulations associated with the transaction.

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 pursuant to Article 4 delegate the board chairman to decide such matters when the transaction is within an amount not exceeding NT\$ 100 million 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.

For the position of independent director has been created, when a matter is submitted for discussion by the board of directors pursuant to provisions herein, 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.

Where an audit committee has been established in accordance with relevant regulations, it shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution, and Subparagraphs 2 and 3 of Paragraph 3 of Article 4 shall apply mutatis mutandis.

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in subparagraph 1 and the preceding paragraph shall be made in accordance with Article 13, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting or board of directors and recognized by the audit committee need not be counted toward the transaction amount.

III. When 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:

(I) 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.

(II) 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.

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 this Paragraph. When the Company 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 the preceding two subparagraphs, it shall also engage a CPA to check the appraisal and render a specific opinion.

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 Paragraph 2, and this Paragraph does not apply:

- (I) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  - (II) 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.
  - (III) 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.
  - (IV) 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.
- IV. If the Company's appraisal conducted in accordance with subparagraphs 1 and 2 of paragraph 3 are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 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:
- (I) 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.
  - (II) Where the Company is 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.
- V. When the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the relevant regulations are uniformly lower than the transaction price, the following steps shall be taken:
- (I) A special reserve shall be set aside 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 public company, then

the special reserve called for shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.

- (II) The audit committee shall comply with Article 218 of the Company Act.
- (III) 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.

If the Company has set aside a special reserve under subparagraph 5 of this Article, it 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.

When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with this paragraph if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 9 Procedures for Financial Derivatives Transactions:

I. Trading principles and strategies:

The Company's profits shall be from normal business operations, and the operations through derivatives are only aiming at hedging the risks related to exchange or interest rate in business operations and capital movement. The Company shall not engage in any transaction-oriented or speculative transactions, and the hedging tools held shall be in line with the Company's actual hedging needs. These Procedures are hereby formulated to ensure that the Company can manage various derivative transactions to implement information disclosure and investors protection.

- (I) Types of transactions: Derivatives referred in these Procedures include 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 Company's operations, including the following businesses, involve both exchange rates and interest rates.

1. Sales revenue.
2. Expenditures such as purchasing goods and equipment.
3. Long- and short-term loans.
4. Other internal and external transactions.

The Company engages in the trading of derivatives only for the purpose of hedging. The transaction types of these Procedures are mainly as follows:

Type	Forward Contract	Option	Financial Swap
Spot			
Exchange Rate	Forward Foreign Exchange Contract	Foreign Exchange Option	1. Currency Swap 2. Interest Rate Currency Swap
Interest Rate	Forward Rate Contract	Interest Rate Option	1. Interest Rate Swap 2. Interest Rate Currency Swap

- (II) The Company's business operation or hedging strategies for derivatives trading:

1. Set the total contract amount of the trading, as well as the upper limit of all and individual contract losses (i.e. the stop loss point).



2. Regularly evaluate the profit and loss and performance status of derivatives.
3. Strictly evaluate the credit status and professional ability of the transaction counterparty.
4. All transactions and related operations are handled in accordance with relevant laws and regulations.
5. Hedging strategies:
  - (1) For assets or liabilities held by the Company and future needs, in consideration of future market changes, two types of transactions, "segmented" and "selective", are adopted for hedging operations.
  - (2) Due to the change of the objective environment, the operation manner of "hedging" or "anti-hedging" may be adopted alternately to mitigate losses and risks for the Company.
  - (3) Based on changes in the objective environment enter the market to engage in derivative trading to avoid operational financial risks, so as to lock in or mitigate non-operating losses for the Company.

(III) The division of powers and responsibilities of the Company in derivatives transactions is as follows:

1. Powers and responsibilities of the board of directors:
  - (1) Approve the transaction procedures and submit them to the shareholders' meeting for resolution, and the same shall apply upon amendment.
  - (2) On a regular or provisional basis convene the meetings of board of directors according to the status of the case, and the chairman shall report to the board of directors the performance of derivatives transactions.
  - (3) When the Company engages in derivatives transactions, the responsibilities and powers authorized by the board of directors to the chairman are as follows:
    - A. Approval of the list of transaction objects and commodity categories.
    - B. Approval of the list of transaction counterparties and the upper limit of transaction counterparties.
    - C. Approve each individual transaction within the scope of the authorized amount.
2. Powers and responsibilities of the president and chairman:
  - (1) Submit the transaction of derivatives to the board of directors for resolution.
  - (2) Approval of derivative transactions approved by the board of directors.
  - (3) On a regular or random basis report to the board of directors the derivatives performance and the implementation results.
3. Powers and responsibilities of the cashier of the Financing and Accounting Department:
  - (1) Execution of approved derivative transactions.
  - (2) Collect foreign exchange market information from time to time to determine the trends and risks, familiarize with financial instruments and related laws and regulations, and operation skills, etc., and conduct transactions in accordance with the designated authorized position by the head of responsible unit to avoid the risk of market price fluctuations.
  - (3) Immediately record the transaction occurrences on a daily basis, and verify their correctness with the accounting documents.
  - (4) Archive daily transaction records sequentially.
  - (5) Periodic assessment: Assess and review operation performance on a weekly and monthly basis, and report the summary results to the president and chairman.
4. Powers and responsibilities of the Finance and Accounting Department:
  - (1) Bookkeeping and preparation of financial statements in accordance

with GAAP or International Financial Reporting Standards (IFRSs) recognized by the Financial Supervisory Commission, storage of transaction contracts and transaction certificates, and regular announcements and reports.

(2) Disclose the Company's transaction information in the financial report.

(IV) Performance evaluation:

1. Non-trading purposes or hedging transactions:

- (1) Based on the Company's book exchange rate, interest rate cost and profit and loss arising from derivative transactions as the basis for performance evaluation.
- (2) In order to fully grasp and express the assessment risk of the transaction, the Company adopts the method of monthly assessment to evaluate the profit and loss.
- (3) The cashier of the Financing and Accounting Department shall provide foreign exchange position assessment, foreign exchange market trend and market analysis to the president and chairman as management reference and instructions.

2. Non-trading purposes or hedging transactions:

The Company shall not engage in derivative transactions for the purpose of trading or non-hedging.

(V) The total amount of the contract and the upper limit of losses for the Company's derivatives:

1. Total amount of the contract:

The total amount of contracts engaging in derivatives transactions shall not exceed 100% of the Company's net worth stated in the latest financial statements audited and verified by CPAs.

Authorization Amount:

Levels	Daily Trading Upper Limit
Board of Directors	US\$1 million (not included) and above
Chairman	US\$1 million (included) and below

2. Loss Upper Limit:

The upper limit of individual contract losses shall not exceed 20% of the individual contract amount; and the upper limit of all contract losses shall not exceed 20% of the total contract amount.

II. Risk management measures:

(I) Risk management scope:

1. Credit risk: The trading counterparties shall be limited to internationally renowned and credit-worthy banks interacting with the Company, and the principle shall be able to provide professional information, and the statement of the transaction shall be provided on a regular basis.
2. Market price risk: Mainly financial products commonly traded internationally, and reduce the use of specially-designed products.
3. Liquidity risk: Banks with large trading volume and strong quotation ability.
4. Cash flow risk: In order to ensure the stability of the Company's working capital turnover, the Company's source of funds for derivatives transactions is limited to its own funds, and the operating amount shall consider the capital needs of the next three months.
5. Operation risk: Strictly abide by the authorized quota and operation process to avoid operation risk.
6. Legal risk: The documents signed with the transaction counterparties shall be mainly the common contracts in the market, and any unique contracts should be reviewed by legal counsel or lawyers.

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

- (III) Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the president or the chairman with no responsibility for trading or position decision-making.
  - (IV) Derivatives trading positions held shall be evaluated at least once per week. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
- III. Operating procedures:
- (I) Confirm the trading position.
  - (II) Analysis and determination of relevant trends.
  - (III) Determining the specific method of hedging:
    - 1. Trading object
    - 2. Trading position
    - 3. Target price and range
    - 4. Trading strategy and type.
  - (IV) Obtain approval for transactions.
  - (V) Execution of transactions:
    - 1. Trading counterparty: Financial institutions at home and abroad that have been assessed by the Company, otherwise, the president shall report to the chairman for approval.
    - 2. Trading staff: The staff of the Company who can execute derivatives transactions shall sign the approval of the chairman and report to the board of directors, and then notify the financial institutions that the Company frequently interacts with. Without the consent of the above-mentioned staff, no one is allowed to engage in transactions.
  - (VI) Transaction confirmation: After the transaction, the trading staff shall fill in the transaction receipt, and the confirmation staff will confirm that the conditions of the transaction are consistent with the transaction receipt, and send it to the responsible unit head for approval.
  - (VII) Settlement: After the transaction is confirmed to be correct, the Financial and Accounting Department shall prepare the price and relevant documents by the designated settlement staff on the settlement date, and conduct settlement at the agreed price.
  - (VIII) Before the tenth day of each month, the Company shall, in accordance with regulations, make an announcement of the relevant content of the Company's derivatives transactions in the previous month, along with the operation status of such month.
- IV. Internal audit system:
- (I) 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 finance and accounting department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the audit committee shall be notified in writing.
  - (II) The internal auditors shall submit the audit report on derivatives trading along with the internal audit report and the implementation of the annual audit plan to the FSC before the end of February each year.
  - (III) The internal auditors shall report the improvement of abnormalities in the derivatives trading procedures to the FSC for future reference before the end of May each year.
- V. Regular evaluation methods and the handling of irregular circumstances.
- (I) Senior executives authorized by the board of directors should always pay attention to the supervision and control of derivatives trading risks, and should regularly monitor and evaluate whether the performance of the Company's derivatives transactions complies with the established operating policies and whether the risks assumed are within the Company's risk tolerance, if any abnormal situation is discovered, necessary countermeasures shall be taken and immediately reported to the board of directors. If the Company has established independent directors, the

board of directors shall have independent directors present and express their opinions.

- (II) The trading unit shall prepare a risk assessment report quarterly and send it to the auditing unit for reference. The content of the report shall include financial risk management (that is, credit, market price, liquidity, cash flow operations, and legal risks).
- (III) Trading units shall evaluate at least once a week depending on the number of positions held and market changes. However, if the hedging transaction is required for business, it shall be evaluated at least twice a month, and the evaluation report shall be submitted to the president and chairman.
- (IV) If the company's derivatives transactions involve legal matters, it may consult external legal counsel.
- (V) The Company engages in derivatives trading shall establish a log book (FR00401) 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 shall be recorded in detail in the log book.

**Article 10: Procedures for handling memberships and creditor's rights of financial institutions:**

In principle, the Company does not engage in transactions of acquiring or disposing of memberships and creditor's rights of financial institutions. If it is required to engage in such transactions later due to business needs, it will be submitted to the board of directors for approval before formulating relevant operating procedures.

**Article 11 Procedures for handling mergers, divisions, acquisitions, and share transfers:**

- I. When the Company 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 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 a public 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 public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
- II. The Company participating in a merger, demerger, acquisition, or transfer of shares 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 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 a 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.
- III. 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 FSC 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 FSC is notified in advance of extraordinary circumstances and grants consent.

- IV. When the Company is participating in a merger, demerger, acquisition, or transfer of shares, it shall prepare a full written record of the following information and retain it for 5 years for reference.
- (I) 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.
  - (II) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
  - (III) 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.
- 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 items 1 and 2 of the preceding subparagraph to the FSC for recordation. Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the above-mentioned provisions.
- V. 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.
- VI. When the Company participates in a merger, demerger, acquisition, or transfer of shares, it may 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:
- (I) 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.
  - (II) An action, such as a disposal of major assets, that affects the company's financial operations.
  - (III) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - (IV) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - (V) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - (VI) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- VII. The contract for participation by a public company 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:
- (I) Handling of breach of contract.
  - (II) 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.
  - (III) 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.
- (IV) The manner of handling changes in the number of participating entities or companies.
  - (V) Preliminary progress schedule for plan execution, and anticipated completion date.
  - (VI) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- VIII. 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.
- IX. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Paragraphs 3, 4, 5 and 8 of this Article.

**Article 12 Control procedures for the acquisition and disposal of assets by subsidiaries:**

- I. Subsidiaries shall also formulate procedures for the acquisition or disposal of assets in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the Financial Supervisory Commission.
- II. When a subsidiary acquires or disposes of assets, it shall provide relevant information to the Company for verification.
- III. If a subsidiary of the company is not a domestic public company, and its acquisition or disposal of assets meets the standards for announcement and reporting, it shall notify the company on the date of occurrence, and the company shall handle the announcement and reporting on the designated website in accordance with the regulations. The regulations on paid-in capital or total assets in the subsidiary's announcement and reporting standards shall be based on the Company's paid-in capital or total assets.

**Article 13: Information Disclosure**

Under any of the following circumstances, when the Company is acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations and based on its nature within 2 days counting inclusively from the date of occurrence of the event:

- 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 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.
- 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 the procedures adopted by the company.
- 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 meets any of the following criteria:
  - (I) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.

- (II) For a public company whose paid-in capital is NT\$10 billion or more, 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 five subparagraphs reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - (I) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
  - (II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

- 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.

"Within the preceding year" as used in the preceding paragraph 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.

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.

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.

For 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.

For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than NT\$10-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; 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 14 Changes to Public Information:**

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 preceding 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:

- 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 to the originally publicly announced and reported information.

**Article 15 Penalties for violations by managers and handling staff:**

When the Company's managers and sponsors violate these Procedures, they shall be reported for assessment according to the Company's employee handbook, and punished according to the severity of the violation circumstances.

**Article 16 Implementation and Amendment**

These Procedures are approved by more than half of all members of the audit committee, which shall be submitted to the board of directors for resolution and then to the shareholders' meeting for approval for implementation. If any director expresses objection and there is a record or written statement, the Company shall submit such objection to the shareholders for discussion, and the same shall apply for amendments.

If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in the preceding paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

**Article 17 Miscellaneous**

Matters not covered in these Procedures shall be handled in accordance with relevant laws and regulations and the relevant regulations of the Company.

Formulated on January 6, 2017.

1st amendment on April 29, 2019.

2nd amendment on August 25, 2021.

3rd amendment on June 17, 2022.

4th amendment on May 12, 2023.