

Cheng Shin Rubber Ind. Co., LTD.

Procedures for Acquisition or Disposal of Assets

Chapter 1 General Provisions

Article 1 Purpose and Legal Basis:

To enhance asset management and implement information disclosure, Cheng Shin Rubber Ind. Co., LTD. (the “Company”) hereby enacts and amends the Procedures for Acquisition or Disposal of Assets (the “Procedures”) in accordance with Article 36-1 of the Securities and Exchange Act and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” by the Securities and Futures Bureau, Financial Supervisory Commission.

Article 2 Scope of Assets:

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in a fund, domestic beneficial interest certificates, domestic and foreign funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights and other intangible assets.
- V. Right-of-use assets.
- VI. Derivatives: forward contracts, options contracts, futures contracts, leverage contracts, and 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.
- VII. Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfers of shares in accordance with the law: refers to assets acquired or disposed of through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or transfer of shares from another company through the issuance of new

shares of its own as the consideration (“Share Transfer”) under Article 156-3 of the Company Act.

VIII. Other major assets.

Article 3 Evaluation Procedures:

- I. In the event of the Company’s acquiring or disposing of securities investment or conducting derivative product transactions, the Company’s financial and accounting department shall conduct relevant benefit analysis and assess potential risks. In the event of the Company’s acquiring or disposing of real property and other assets, each unit shall propose a capital expenditure plan in advance providing the feasibility analysis regarding the purpose of such acquisition or disposal and expected benefits. In the event that the Company engages in any acquisition or disposal of assets from or to a related party, in addition to evaluating the reasonableness of the terms of the transaction in accordance with Chapter 2 of these Procedures, if the transaction amount reaches 10% of the Company’s total assets, the Company shall also obtain an appraisal report from a professional appraiser or the opinion of a certified public accountant in accordance with the preceding provisions.
- II. In the event of the Company’s acquisition or disposal of securities, the Company shall obtain the most recent financial statements of the target company, which has been audited or reviewed by a certified public accountant, or other relevant information prior to the Date of Occurrence as a reference to the evaluation of the transaction price. If the transaction amount reaches 20% of the Company’s paid-in capital or NTD 300 million or more, the Company shall 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. If the certified public accountant needs to use the report of an expert, he certified public accountant shall do so in accordance with the provisions of Statements of Auditing Standards No. 20 published by the Accounting Research and Development Foundation. However, this requirement does not apply to publicly quoted prices of securities that have an active market, or where otherwise provided by the regulations announced by the Financial Supervisory Commission.
- III. In the event of the Company’s acquisition or disposal of real property or other fixed assets where the transaction amount reaches 20% of the Company’s paid-in capital or NTD 300 million or more, except for the transactions with governments, engaging others to build on their own lands, engaging others to build on rented land, or acquiring or disposing of equipment for business use, the Company shall, prior to the Date of

Occurrence, obtain an appraisal report from a professional appraiser who is objective and unbiased, and shall comply with the asset appraisal procedures specified in these Procedures.

- IV. For the acquisition or disposal of intangible assets or right-of-use assets thereof or memberships where the transaction amount reaches 20% of the Company's paid-in capital or NTD 300 million or more, except for the transactions with domestic government agencies, the Company shall 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 in compliance with the provisions of the Statements of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation.
- V. When the Company participates in merger, spin-off, acquisition or Share Transfer, the Company shall, prior to convening the Board of Directors to resolve on the relevant matters, engage a certified public accountant, an attorney or an underwriter to provide an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders, and shall submit it to the Board of Directors for deliberation and resolution. However, the Company is not required to obtain the aforesaid professional's opinion on the reasonableness of the transaction in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, or in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
- VI. The price determination methods and reference for the Company's acquisition or disposal of assets shall, in addition to referring to the professional appraisals and the certified public accountant's and other professional's opinions under the preceding paragraphs, be in accordance with the following provisions:
 - i. In the event of the Company's acquisition or disposal of securities listed on the Taiwan Stock Exchange or Taipei Exchange, the price shall be determined by the price of the shares or the bonds during the transaction.
 - ii. In the event of the Company's acquisition or disposal of securities not listed on the Taiwan Stock Exchange or Taipei Exchange, the price shall be determined by taking into account the earnings per share, techniques and profitability, future development potential, market interest, coupon rate of the bonds and credibility of the debtor, as well as the most recent transaction prices.
 - iii. In the event of the Company's acquisition or disposal of

memberships, the price shall be determined by taking into account the potential benefits and the most recent transaction prices. In the event of the Company's acquisition or disposal of patents, copyrights, trademarks, franchise rights and other intangible assets, the price shall be determined by taking into account the international or market practice, service life and such asset's influence on the Company's techniques and business.

- iv. In the event of the Company's acquisition or disposal of real property and other fixed assets, the price shall be determined by taking into account the announced current value, appraised value, actual transaction price or book value of neighboring real property and supplier's quotation. In the event of the Company's acquisition of real property from a related party, the Company shall calculate the price in accordance with the provisions in Chapter 2 of the Procedures to evaluate the reasonableness of the transaction price.
 - v. In the event of the Company's transaction of derivatives, the price shall be determined by taking into account the futures market conditions and the trend of the, exchange rate and interest rate.
 - vi. In the event of the Company's participation in merger, spin-off, acquisition or Share Transfer, the price shall be determined by taking into account the nature of business, earnings per share, asset value, techniques and profitability, capacity and future growth potential.
- VII. Date of Occurrence: refers to the earlier of the date of contract execution, date of payment, date of consignment trade, date of transfer, date of Board of Directors resolution, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; however, in the event that investments require the approval of the competent authority, the earlier of the aforementioned date or the date of receiving approval by the competent authority shall apply.
- VIII. The transaction amount in the preceding seven paragraphs shall be calculated pursuant to Article 5, paragraph 1 herein. The term "within the preceding year" refers to the year preceding the Date of Occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or the certified public accountant's opinion have been obtained shall not be counted towards the transaction amount.

Article 4 Operation Procedures:

- I. Authorized amount and authorization level
 - i. Securities: the Company's general manager is authorized to decide the transaction price within the amount specified under Article 7 of the Procedures. If the transaction price meets the announcement

and filing standard under Article 5, such a transaction shall be submitted to the Chairman or the general manager for record on the next day, and shall also be submitted to the most recent Board of Directors' meeting for recognition. In the event of the Company's acquisition or disposal of shares, corporate bonds that are not listed on the Taiwan Stock Exchange or Taipei Exchange or the securities from the private placement, and the transaction price meets the announcement and filing standard, such a transaction may only be conducted after the resolution is adopted at the Board of Directors' meeting. In addition, the Company's investment in China may only be conducted after the resolution is adopted at the shareholders' meeting, or after the shareholders' meeting authorizes the Board of Directors to conduct such an investment, and with the approval of the Investment Commission, the Ministry of Economic Affairs.

- ii. Transaciton of derivatices
 - A. Hedge transactions: the Chairman or the person designated by the general manager is authorized to, taking into account the Company's revenue and the changes of risk exposure, conduct the transaction with the single or cumulative transaction amount to be USD 200 million (including equivalent currency) or less. If the transaction amount exceeds USD 200 million, such a transaction may only be conducted with the Chairman's or the general manager's approval.
 - B. Non-hedging Transactions: In order to reduce risks, the transaction with the single or cumulative transaction amount to be US\$150 million (including equivalent currencies) or less shall be approved by the Chairman of the Board before relevant transactions can be carried out.
 - C. In order for the Company's authorization to be under the supervision of the bank, the authorized persons shall notify the bank of the authorization.
 - D. The derivative transactions conducted in accordance with the preceding provisions shall be submitted to the Board of Directors' meeting after the transaction.
- iii. Transaction with the related parties or the Company's subsidiary (as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers): the Company may only execute the transaction agreement and pay the transaction price after it prepares relevant documents in accordance with the provisions in Chapter 2 of these Procedures, which shall be adopted at the Audit Committee and the Board of Directors' meeting.

- iv. The Company participates in merger, spin-off, acquisition or Share Transfer: the Company shall comply with the relevant procedures and prepare relevant documents in accordance with the provisions in Chapter 4 of these Procedures. In the event of the Company's participation in merger, spin-off or acquisition, except as otherwise provided by other laws, such a transaction shall be adopted at the shareholders' meeting. In the event of the Company's participation in Share Transfer, such a transaction shall be adopted at the Board of Directors' meeting.
- v. Others: the Company shall comply with the operating procedures provided by its rules regarding its internal control system and levels of authorization. In the event that the transaction amount is below the announcement and filing standard, the transaction shall be submitted to the Chairman for approval. In the event that the transaction amount reaches the announcement and filing standard under Article 5, the transaction shall first be submitted to the Chairman for approval, except for the acquisition or disposal of machinery and equipment for business use which may be reported to the Board of Directors' meeting for ratification after the transaction is made, other types of transaction shall be adopted at the Board of Directors' meeting before the transaction is made. In the event of any transaction that falls into the scope of the transaction under Article 185 of the Company Act, such a transaction shall be adopted at the shareholders' meeting before the transaction is made.

II. Implementation unit and transaction procedures

The implementation unit for the Company's securities investment and derivative transactions shall be the financial and accounting department and the Chairman or the person designated by the general manager. The implementation unit for the Company's real property and other asset transaction shall be the department using the asset and the unit with relevant duties. The implementation unit for the Company's participation in merger, spin-off, acquisition or Share Transfer shall be the Chairman or the implementation unit designated by the general manager. After the acquisition or disposal of assets is evaluated and approved in accordance with relevant regulations, the implementation unit may proceed with the contract execution, transaction price payment or receipt, delivery and examination and shall comply with the relevant internal control procedures based on the nature of the assets. For the Company's acquisition of real property from related parties, derivative transactions and participation in merger, spin-off, acquisition or Share Transfer, the

Company shall comply with the relevant provisions in Chapter 2 to Chapter 4 of these Procedures.

Article 5 Filing Procedures:

- I. In the event of any of the following occurs when the Company acquires or disposes of its assets, the Company shall, based on the nature of the transaction announce and file relevant documents on the website designated by the competent authority within two days from the Date of Occurrence according to the format and content provided by the appendix (as Appendix II to Appendix VIII),:
 - 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 and right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets or NTD 300 million or more; provided that this shall not apply to the trade of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.
 - ii. Merger, spin-off, acquisition or Share Transfer.
 - iii. Losses from derivative transactions reaching the upper limits on aggregate losses of all transactions or the loss of individual transactions set forth in Chapter 3 Article 14 paragraph 4 of the Procedures.
 - iv. Where the type of asset acquired or disposed of is equipment or right-of-use assets for business use, the counterparty is not a related party, and the transaction amount is NTD 1 billion or more.
 - v. Where land is acquired under an arrangement on engaging others to build on the Company's own lands, engaging others to build on rented lands, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, the counterparty is not a related party, and the amount the Company expects to invest in the transaction is NTD 500 million or more.
 - vi. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NTD 300 million or more; provided that this shall not apply to any of the following circumstances:
 - A. Trading of domestic government bonds.

- B. Trading of securities at the stock exchange or over the counter, or purchase of the ordinary corporate 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).
- C. Trading of bonds under repurchase/resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

The above transaction amount shall be calculated as follows:

- A. The amount of any individual transaction.
- B. The cumulative transaction amount of the acquisitions or disposals of the same type of assets with the same counterparty within the preceding year.
- C. The cumulative transaction amount of real property or right-of-use asset acquisitions and disposals (cumulative acquisitions and disposals respectively) under the same development project within the preceding year.
- D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals respectively) of the same security within the preceding year.
- E. The 10% threshold under these Procedures shall be calculated according to the value of total assets specified in the most recent individual financial report of the Company prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In the event that the Company's share has no par value or has a par value other than NTD 10, the transaction amount as 20% of the Company's paid-in capital shall be calculated as 10% of the equity owned by the Company's parent company; NTD 20 billion of the equity owned by the Company's parent company shall be the threshold instead of NTD 10 billion of the paid-in capital of the Company.

The term "within the preceding year" as used in the preceding subparagraph refers to the year preceding the Date of Occurrence of the current transaction. Items duly announced in accordance with the regulations under the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" shall not be counted into the transaction amount.

- II. The Company shall compile monthly reports on the status of derivative

transactions engaged in up to the end of the preceding month by itself and the subsidiary which are not domestic public companies and upload the information in the format prescribed in the appendix hereto, by the 10th day of each month, onto the information filing website designated by the competent authority.

- III. When the Company at the time of public announcement makes an error or omission in an item required by the regulations to be publicly announced and so is required to correct it, all the items shall be publicly announced again in their entirety within two days from the day the Company knows of such error or omission.
- IV. Where any of the following circumstances occurs with respect to a transaction that the Company has already announced and filed in accordance with paragraph I of this Article, a public report of relevant information shall be made on the website designated by the competent authority within two days from the Date of Occurrence:
 - i. Changes, termination or rescission of an executed contract relating to the original transaction.
 - ii. The merger, spin-off, acquisition or Share Transfer is not completed by the scheduled date set forth in the contract.
 - iii. Changes to the information originally publicly announced and filed.

Article 6 Asset Appraisal Procedures:

In the event of the Company's acquisition or disposal of real property, equipment or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NTD 300 million or more, except for the transactions with domestic government agencies, engaging others to build on their own lands, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the Date of Occurrence and shall comply with the following provisions. In the event that the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may serve as a substitute for the appraisal report or the certified public accountant's opinion.

- I. In the event that, due to special circumstances, the transaction price shall refer to a limited price, a specified price or a special price, the transaction shall be adopted at the Board of Directors' meeting, and the same procedure shall apply to subsequent changes to the terms and conditions of the transaction.
- II. In the event that the transaction amount is NTD 1 billion or more, the Company shall obtain appraisals from two or more professional appraisers.

- III. In the event that the appraisal results of the professional appraisers encounter any of the following circumstances, except for all of the appraisal results of the assets to be acquired exceeding the transaction amount, or all of the appraisal results of the assets to be disposed of less than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statements of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation and to provide a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - i. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 - ii. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- IV. The period between the date of the appraisal report issued by a professional appraiser and the execution date of the agreement shall not exceed three months; provided, however, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, the original professional appraiser may still issue an opinion.

Article 7 Scope and Amount of Investment:

In addition to the acquisition of assets for business use, the Company and its subsidiary may also invest in real property for non-business use and in securities within the following amount. In calculating the amount under paragraph IV and V, the investment made to set up a company or to be the director or supervisor as long term investment may be excluded.

- I. For the Company's investment in the real property for non-business use, the total investment amount shall not exceed 50% of the Company's net value in the most recent financial statements. If the investment is made by the Company's subsidiary, the total investment amount shall not exceed 30% of its net value in the most recent financial statements.
- II. For the Company's investment in securities, the total investment amount shall not exceed 30% of the Company's net value in the most recent financial statements. If the investment is made by the Company's subsidiary, the total investment amount shall not exceed 20% of its net value in the most recent financial statements.
- III. For the Company's investment in a specific security, the investment amount shall not exceed 20% of the Company's net value in the most recent financial statements. If the investment is made by the Company's subsidiary, the investment amount shall not exceed 10% of its net value in the most recent financial statements.

- IV. For the investment in the company listed on the Taiwan Stock Exchange or Taipei Exchange by the Company or the Company's subsidiary, the net investment amount shall not exceed 10% of the net value of the Company or the Company's subsidiary respectively in the most recent financial statements of the entity making such investment.
- V. The shares of individual company listed on the Taiwan Stock Exchange or Taipei Exchange held by the Company and the Company's subsidiaries collectively shall not exceed 10% of the invested company's issued and outstanding shares.

Article 8 Control of the Company's Subsidiary's Acquisition or Disposal of Assets:

- I. The Company's subsidiary shall also enact its "Procedures for the Acquisition or Disposal of Assets" according to Tai-Tsai-Cheng-Yi No. 0910006105 announced by the, Securities and Futures Bureau, Financial Supervisory Commission. Such procedures shall be adopted at the subsidiary's Board of Directors' meeting and shareholders' meeting, and the same procedure shall apply to the future amendments to the procedures.
- II. The definition of a subsidiary shall refer to the provisions under Article 8 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers (IFRS) and No. 27 and No. 28 of the International Accounting Standards.
- III. In the event of the Company's subsidiary's acquisition or disposal of assets, the subsidiary shall comply with its own "internal control system" and "Procedures for the Acquisition or Disposal of Assets". The Company's subsidiary shall submit in writing a list and the details of the assets it acquired or disposed of in the previous month to the Company in writing by the 10th day of each month. The subsidiary's acquisition or disposal of assets shall be one of the auditing items of the Company's auditing unit each month, and the auditing results of this item shall be a required item in the auditing report to the Audit Committee and the Board of Directors.
- IV. In the event that the Company's subsidiary is not a public company and that the acquisition or disposal of assets by the subsidiary reaches the announcement and filing standard, the subsidiary shall notify the Company on the Date of Occurrence, and the Company shall make the announcement and filing on the designated website in accordance with relevant regulations.

The filing standard regarding paid-in capital and total assets for the subsidiary subject to Article 5 paragraph I of the Procedures in the preceding paragraph shall be the same standard applicable to the Company.

Article 9 Punishment:

In the event that any of the Company's employees dealing with acquisition and disposal of assets violates these Procedures, the employee shall be periodically evaluated in accordance with the Company's rules and shall be punished based on the seriousness of the violation.

Chapter 2 Related Party Transaction

Article 10 Basis of Definition and Determination:

The Company's acquisition of assets from its related party includes the Company's acquisition of assets by purchasing or exchanging. The definition of a related party shall refer to the regulations under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. When determining whether a trading counterparty is a related party, both the legal formalities and the substance of the relationship shall be considered.

In the event that the Company engages in any acquisition or disposal of assets from or to a related party, in addition to following the resolution procedures and evaluating the reasonableness of the terms of the transaction in accordance with Chapter 2 of these Procedures, if the transaction amount reaches 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or the opinion of a certified public accountant in accordance with the preceding provisions.

Article 11 Resolution Procedures:

In the event that the Company engages in any acquisition or disposal of real property or right-of-use assets thereof from or to a related party or engages in any acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NTD 300 million or more, except for the trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction agreement or make a payment until the implementation unit has submitted the following matters to the Audit Committee and the Board of Directors and the matters has been approved by the Audit Committee and the Board of Directors:

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reasons for choosing the related party as a trading counterparty.

- III. In the event that the Company acquires real property or right-of-use assets thereof from a related party, information regarding the evaluation of the reasonableness of the anticipated terms of the transaction in accordance with Article 12 or the proviso of Article 13.
- IV. The date and price at which the related party originally acquired the real property, its original trading counterparty, and the counterparty's relationship with the Company and the related party.
- V. Monthly cash flow forecasts for the coming year commencing from the anticipated month of executing the agreement, and the evaluation of the necessity of the transaction and the reasonableness of the funds utilization.
- VI. The appraisal report provided by a professional appraiser and the opinion of a certified public accountant obtained in accordance with the preceding Article.
- VII. The restrictive terms of this transaction and other important agreements in connection with the transaction.
 - i. The transaction amount in the preceding paragraph shall mean the transaction amount of the year preceding the Date of Occurrence of this transaction, which shall be calculated according to Article 5, paragraph 1 herein. Items that have been approved by the Audit Committee and Board of Directors according to these Procedures shall not be counted in when calculating the transaction amount.
 - ii. With respect to the following transactions between the Company and its subsidiary, or between companies in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Board of Directors may proceed with the transaction according to the provisions in Article 4, paragraph 1, subparagraph v of these Procedures, which shall subsequently be submitted to and ratified at the next Board of Directors' meeting.
 - A. acquisition or disposal of equipment or right-of-use assets for business use;
 - B. acquisition or disposal of real property for business use.

In the event that matters are submitted to the Board of Directors for discussion according to the preceding paragraph, the Board of Directors shall take each Independent Director's opinion into full consideration. If an Independent Director objects to or expresses reservation about any matter, it shall be recorded in the minutes of the Board of Directors' meeting.

If the Company has established an Audit Committee, matters which require the ratification of the Audit Committee pursuant to the preceding paragraph shall be approved by a majority of all members of the Audit Committee and submitted to the Board for resolution. If the Company fails to obtain the approval of a majority of all members of the Audit Committee, such matters may be adopted by the approval of at least two-thirds of all members of the Board. The resolution of the Audit Committee shall be recorded in the meeting minutes of the Board.

Article 12 Evaluation of the Reasonableness of Transaction:

In the event that the Company acquires real property or right-of-use assets thereof from a related party, except for the situation where the related party acquired the real property or right-of-use assets thereof through inheritance or as a gift, where more than five years has lapsed between the time the related party executed the agreement to acquire the real property or right-of-use assets thereof and the execution date of the current transaction, where the real property or right-of-use assets thereof is acquired by the related party through executing a joint development agreement, or through the agreement engaging the related party to build on the real property or right-of-use assets thereof, either on its own land or on a rented land, or where the real property or right-of-use assets thereof are acquired for business use from a subsidiary of the Company or a company in which it directly or indirectly holds 100% of the issued shares or authorized capital, the reasonableness of the transaction costs shall be evaluated by the following means. The Company shall also engage a certified public accountant to review the appraisal and render an opinion.

- I. Based on the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. In the event that the related party previously created a mortgage on the real property as security for a loan from a financial institution, the total loan value evaluated by the financial institution towards the real property; provided, however, that the actual cumulative amount loaned by the financial institution shall have reached 70% or more of the financial institution's evaluated loan value of the real property, and the period of the loan shall have been one year or more. This shall not apply if the financial institution is a related

party of one of the trading counterparties.

- III. In the event that the land and the building thereon are combined as a single property purchased or leased in one transaction, the transaction costs of the land and the building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph I or II.

Article 13 Procedures to be complied with when the Estimated Transaction Costs are Lower than the Transaction Price:

In the event that the transaction costs estimated in accordance with the preceding Article are lower than the transaction price, except for any of the following circumstances and there are objective evidence and opinions on reasonableness have been obtained from a real property professional appraiser and a certified public account, the Company shall comply with paragraph 3 of this Article.

- I. Where the related party acquires undeveloped land or leases land for development, it may provide evidence of compliance with any of the following conditions:
 - i. Where undeveloped lands are evaluated in accordance with the preceding Article and where buildings are evaluated according to the related party's construction costs plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "reasonable construction profit" shall be the average gross operating profit margin of the related party's construction division over the most recent three 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.
 - ii. Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms are similar after the calculation of reasonable price discrepancies in floor or area in accordance with standard property sales or leasing market practices.
- I. Where the Company acquiring real property, or obtaining right-of-use assets under a real property lease, from a related party provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.
If there is any other evidence indicating that the acquisition of real property by the Company from a related party involves transaction irregularities, the procedures provided in the preceding two

paragraphs shall apply.

The term “transactions for the acquisition of neighboring land” in the preceding paragraph refers to the land on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the published value of the land being close to that of the subject matter; the term “similar land area” refers to transactions by unrelated parties where the land area is not less than 50% of the land area of the transaction’s subject matter. The term “within the preceding year” refers to the year preceding the date of the acquisition of the real property or right-of-use assets thereof.

In the event that the Company acquires real property or right-of-use assets thereof from a related party, and the evaluation of the transaction costs conducted in accordance with the preceding Article are all lower than the transaction price, and none of the circumstances in paragraph 1 of this Article applies, the following actions shall be taken:

- i. A special reserve shall be set aside in accordance with Article 41 paragraph 1 of the Securities and Exchange Act against the difference between the transaction price of real property or right-of-use assets thereof and the evaluated costs, and may not be distributed or used for capital increase or issuance of bonus shares. The Company may not utilize such special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or the assets have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that the transaction is not unreasonable, and the competent authority has granted its approval.
- ii. The Independent Director members of the Audit Committee shall deal with the matter in accordance with Article 218 of the Company Act.
- iii. Actions that have been taken in accordance with the preceding two subparagraphs shall be reported to the shareholders’ meeting, and the details of the transaction shall be disclosed in the annual report as well as the prospectus.

Chapter 3 Control of Derivative Transactions

Article 14 Principles and Guidelines for the Transaction:

- I. Types of derivatives: the types of derivatives the Company may transact include forward contracts, options, interest or foreign exchange rates swaps, futures and compound contracts combining the products mentioned above. If the Company intends to transact other types of derivatives, the transaction shall comply with the authorized amount and authorization level provided in Article 4, paragraph 1 herein.
- II. Operation or hedge strategies: the derivative transactions made by the Company can be categorized into hedge oriented and non-hedge oriented (transaction oriented) transactions. The Company's derivative transaction strategies shall be mainly focusing on avoiding the risks derived from its business operations, and thus the Company shall mainly choose the derivatives that can avoid the Company's risks derived from the foreign currency income, expenses, assets or liabilities produced during the Company's business operations. In the event of any change to the objective circumstances, the Company may also invest in non-hedge oriented derivatives when proper, so as to increase the Company's non-operating income or decrease the Company's non-operating loss. In addition, the Company shall mainly choose the financial institutions that are the Company's business counterparties as the trading counterparties, so as to avoid the credit risks. The Company shall clearly define the type of such transaction as hedge oriented transaction or the financial operations for investment profit before the transaction is conducted, so as to serve as the basis for accounting record.
- III. Transaction amount:
 - i. Hedge transactions: the upper limit for hedge transactions shall be the net position of foreign currencies after the assets and liabilities are both considered (including the net position that is anticipated to occur in the future).
 - ii. Non-hedging Transactions: No more than US\$ 150 million. Before the transaction, the person responsible for conducting the transaction shall prepare a Foreign Currency Trend Analytical Report, providing the analysis of trends in foreign currency market and the suggested trading options, and shall obtain the relevant approval..
Risk-avoidance and non-avoidance derivative commodity operation quota verification authority:

Authorized persons	Transaction amount per day	Net cumulative position
Foreign currency trading personnel	USD 5M or less	USD 10M or less
Head of financial department	USD 20M or less	USD 30M or less
General manager	Above USD 20M	USD 50M or less

- iii. Operations that exceed the above-mentioned Supervisor's authorization limit can only be done by submitting a proposal to the Board of Directors.

IV. Upper limit of loss for all and individual contract

- i. Upper limit of loss for an individual contract and all contracts shall be 20% of the transaction amount.
- ii. If the transaction is entered for a specific purpose, a stop-loss point shall be established to avoid losses exceeding the above limit after the position is created. The stop-loss point shall be 20% of the transaction amount for all contracts or an individual contract. Once the amount of losses exceeds the stop-loss point, the situation shall be promptly reported to the general manager and the Board of Directors, who shall then devise an action plan.

V. Duties and responsibilities

- i. Trading personnel: the Company's derivative trading personnel shall be designated by the Chairman or the general manager. Such trading personnel shall be responsible for, within the scope of authorization, enacting the trading strategies, implementing trading instructions, disclosing future transaction risks and providing up-to-date information to relevant departments for their reference.
- ii. Confirmation personnel: the financial department shall be responsible for confirming the transactions, keeping the transactions on the books in accordance with relevant regulations, maintaining transaction records, conducting periodic fair market price evaluation towards the position held, providing the evaluation results to the trading personnel and disclosing the matters related to the derivatives in the financial report.
- iii. Closing personnel: responsible for derivative transaction closings.

VI. Performance evaluation guidelines

- i. Hedge transaction: performance shall be evaluated based on the

profits and losses incurred from the costs of the foreign exchange rate and the interest rate on the Company's books and the derivative transactions which the Company is engaged in. The evaluation shall be conducted at least twice a month, and the results of the evaluation shall be submitted to the management for their reference.

- ii. Non-hedge transaction: performance shall be evaluated based on the profits and losses actually incurred. The evaluation shall be conducted at least once a week, and the results of the evaluation shall be submitted to the management for their reference.

Article 15 Risk Management Measures:

The scope and measures of risk management for the Company's derivative transactions are as follows:

- I. Consideration of credit risks: the trading counterparty shall mainly be the financial institutions or the futures brokers that have business relationship with the Company, have good reputation and are able to provide professional information.
- II. Consideration of market risks: future price fluctuation in the derivative market may result in uncertain losses, and thus, after the position is created, the stop-loss point shall be strictly followed.
- III. Consideration of liquidation risks: in order to ensure the liquidity of the derivative products, the trading institution shall have sufficient equipments, information and ability to trade in any market.
- IV. Consideration of operational risks: in order to avoid operational risks, the Company shall strictly abide by the rules regarding authorized transaction amount and operating procedures.
- V. Cash flow risk management: in order to ensure stable turnover of the Company's working capital, the Company shall engage in derivative transactions with its own capital, and shall take the capital demands resulted from the anticipated revenues and expenses within the following three months into consideration.
- VI. Consideration of legal risks: in order to avoid legal risks, any contract the Company executes with financial institutions shall mainly be internationally standardized documents.
- VII. Consideration of product risks: in order to avoid the losses derived from misusing derivative products, the internal trading personnel shall have complete and accurate professional knowledge toward the derivative products to be traded.
- VIII. Consideration of risks in closing with cash: in order to ensure sufficient cash for payment upon closing, the authorized trading personnel shall not only strictly follow the rules regarding the

authorization amount but also pay attention to the Company's cash flow at all times.

- IX. The trading personnel, confirmation personnel and closing personnel shall not hold concurrent positions.
- X. The confirmation personnel shall periodically confirm with the banks about the Company's account statements or request the banks to issue letter of confirmation, and check whether the total transaction amount exceeds the upper limit provided by the Procedures at all times.
- XI. The personnel responsible for risk assessment, supervision and control shall be in the different departments and shall report to the Board of Directors or the senior management not responsible for transaction or position decision making.
- XII. The Company shall evaluate the held position at least once a week; provided that the hedge transactions entered into for business needs shall be evaluated at least twice a month. The evaluation reports shall be submitted to the senior management (general manager or head of auditing department) authorized by the Board of Directors.

Article 16 Internal Audit System:

- I. The internal audit personnel of the Company shall be responsible for understanding periodically the appropriateness of internal controls concerning the derivative transactions, conducting monthly audit towards the trading department's compliance status of the operating procedures regarding the derivative transactions, and preparing audit report accordingly. In the event of any material breach, the internal audit personnel shall immediately report to the Chairman or the general manager and the senior management designated by the Board of Directors and shall notify the Audit Committee of the breach in writing.
- II. The audit personnel of the Company shall incorporate the audit towards the derivative transactions into the audit plan, file to the competent authority the implementation status of annual audit plan of the previous year by the end of February each year, and file to the competent authority the improvements on any irregular situations by the end of May, at the latest, of that year.

Article 17 Methods of Periodic Evaluation and Irregular Situation Treatment:

- I. The Company shall conduct periodic evaluation of derivative transactions every week, prepare a report setting forth the weekly loss and profit and uncovered position of non-hedge transactions, and submit the report to the senior management authorized by the Board of Directors and the Chairman or the general manager, so as to serve as their reference for management performance evaluation and risk

assessment.

- II. The senior management designated by the Company's Board of Directors shall pay attention to the supervision and control of derivative transaction risks at all times. The Board of Directors shall evaluate whether the performance of the derivative transactions is consistent with the Company's current operational strategies and whether the risks the Company bears are under the tolerable level by the Company.
- III. The senior management authorized by the Company's Board of Directors shall manage the derivative transactions according to the following principles:
 - i. Evaluate periodically whether the existing risk management measures are appropriate and strictly comply with the "Regulations Governing the Acquisition and Disposal of Assets" enacted by the competent authority and relevant regulations under these Procedures.
 - ii. Supervise the transaction and loss/benefit status, take necessary measures in response to irregular situations, and report to the Board of Directors immediately.
(In the event that the Company has Independent Directors, the Independent Directors shall attend the aforementioned Board of Directors' meeting and give their opinions.)
- IV. When engaging in derivative transactions, the Company shall prepare a log book, in which the derivative transactions' types, amounts, the Board of Directors' approval dates, periodic evaluation reports and the matters to be periodically evaluated by the Board of Directors and the senior management authorized by the Board of Directors shall be recorded in detail.

Chapter 4 Merger, Spin-off, Acquisition or Share Transfer

Article 18 When the Company participates in merger, spin-off, acquisition, Share Transfer, share swap or other enterprise merger and acquisition matters, it shall, prior to convening the Audit Committee' meeting to resolve the relevant matters, engage a certified public accountant, an attorney or an underwriter to provide an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders, and the Audit Committee shall submit it to the Board of Directors for deliberation and resolution.

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% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

Article 19 When the Company participates in merger, spin-off or acquisition, it shall prepare a public report to shareholders setting forth the important contractual contents and the relevant matters prior to the shareholders' meeting. The above public report, together with the professional opinion prepared in accordance with the preceding Article and the notice of shareholders' meeting, shall be delivered to the shareholders for their reference regarding the resolution of the merger, spin-off or acquisition; provided that the above contents in this Article shall not apply if any provision of other laws and/or regulations exempts the Company from convening a shareholders' meeting to approve the merger, spin-off or acquisition. In the event that the shareholders' meeting of any of the companies participating in the merger, spin-off or acquisition fails to convene or resolve a resolution for any reason, or the proposal is not adopted at the shareholders' meeting, the Company shall immediately publicly explain the reason, the follow-up measures and the date of the next shareholders' meeting.

Article 20 Unless otherwise provided by law or approved by the competent authority in advance, when the Company participates in merger, spin-off or acquisition, its Board of Directors' meeting and shareholders' meeting shall be held on the same day as other participating company's Board of Directors' meeting and shareholders' meeting to resolve the matters relating to the merger, spin-off or acquisition. When the Company participates in Share Transfer, its Board of Directors' meeting shall be held on the same day as other participating company's Board of Directors' meeting. When participating in merger, spin-off, acquisition or Share Transfer, the company listed on the Taiwan Stock Exchange or the Taipei Exchange shall prepare a complete written record including the following information and preserve the record for five years for reference:

- I. Relevant personnel's basic information: including the titles, names and ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the plan or implementation of the plan of any merger, spin-off, acquisition or Share Transfer prior to the disclosure of the information.
- II. Dates of material events: including the dates of executing the letter

of intent or memorandum of understanding, engaging a financial or legal advisor, executing the contract and convening the Board of Directors' meeting.

- III. Important documents and meeting minutes: including the plans of merger, spin-off, acquisition or Share Transfer, any letter of intent or memorandum of understanding, material contracts and minutes of the Board of Directors' meeting.

When participating in merger, spin-off, acquisition or Share Transfer, the company listed on the Taiwan Stock Exchange or the Taipei Exchange shall, within two days commencing from the date of the resolution adopted at the Board of Directors' meeting, report to the competent authority the documents prepared in accordance with subparagraph I and II of the preceding paragraph in the prescribed format and via the information system on the internet.

In the event that any of the companies participating in the merger, spin-off, acquisition or Share Transfer is not a company listed on the Taiwan Stock Exchange or the Taipei Exchange, the company listed on the Taiwan Stock Exchange or the Taipei Exchange shall execute an agreement with such a company and comply with the regulations under paragraph 3 and 4.

Article 21 Share Exchange Ratio and Acquisition Price:

Except for any of the following circumstances, the share exchange ratio and acquisition price for the merger, spin-off, acquisition or Share Transfer shall not change, clauses specifying conditions where changes are permitted shall be included in the merger, spin-off, acquisition or Share Transfer agreements.

- I. Increase of cash capital, and issuance of convertible corporate bonds, bonus shares, corporate bonds with stock warrants, preferred stock with stock warrants, certificates of stock options and other equity securities.
- II. An action, such as disposal of major assets, that affects the Company's financial operations.
- III. An event, such as major disasters or major evolution in technology, that affects shareholders' equity or the price of securities.
- IV. An adjustment where any of the companies participating in the merger, spin-off, acquisition or Share Transfer buys back the treasury stocks in accordance with the laws.
- V. An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition or Share Transfer.
- VI. Other terms and conditions that the contract stipulates may be amended and that have been publicly disclosed.

Article 22 Matters Required to be Included in the Contract:

In the event that the Company participates in merger, spin-off, acquisition or Share Transfer, the contract shall set forth the Company's rights and obligations, the amendable Share Exchange ratio or purchase price conditions under the preceding Article, and the followings matters:

- I. Handling of breach of contract.
- II. Principles for handling the previously issued equity securities or purchased treasury stocks of a company that is extinguished or spun-off.
- III. The amount and principles of the purchase of treasury stocks in accordance with the laws after the date of the participating companies' calculation of the Share Exchange ratio.
- IV. Procedures for handling the increase or decrease in the number of participating entities or companies.
- V. The estimated progress of the plan and estimated completion date.
- VI. If the plan is not completed within the scheduled timeframe, the scheduled date for convening the legally mandated shareholders' meeting and the relevant procedures.

Article 23 Other Matters to be Attended to by the Company when the Company is Participating in Merger, Spin-off, Acquisition or Share Exchange:

- I. Require persons who participate in or are privy to the Company's merger, spin-off, acquisition or Share Transfer to provide undertakings of confidentiality in writing, in which the persons undertake not to disclose the contents of the relevant information and not to trade, in their own names or under the name of another person, in any stocks or other equity securities of any company related to the merger, spin-off, acquisition, or Share Transfer prior to the public disclosure of information.
- II. After public disclosure of the information regarding the merger, spin-off, acquisition, or Share Transfer, if the Company intends to further carry out a merger, spin-off, acquisition or Share Transfer with another company, the Company shall carry out anew the procedures or legal actions that had originally been completed toward the merger, spin-off, acquisition or Share Transfer; except that where the number of participating companies decreases and the Company's shareholders' meeting has adopted a resolution authorizing the Board of Directors to alter the authority, the Company may be exempted from calling another shareholders' meeting to resolve on the matter anew.
- III. Where any of the companies participating in the merger, spin-off,

acquisitions or Share Transfer is not a public company, the Company shall enter into an agreement with such a non-public company and shall comply with the provisions under Article 21 and the preceding two paragraphs of the Procedures.

Chapter 5 Other Material Matters

Article 24 The Company, when acquiring or disposing of assets, shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions issued by certified public accountants, attorneys or underwriters at the Company's office. Except as otherwise provided by other laws or regulations, such documents shall be preserved for at least 5 years.

Article 25 Professional appraisers and their appraisal officers, certified public accountants, attorneys and securities underwriters, who provide the Company with appraisal reports or opinions shall meet the following requirements:

- I. They have not previously received a final and non-appealable sentence of imprisonment for one year or more for a violation of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the Company Act, Banking Act, Insurance Act, Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery, or occupational crime. However, this provision does not apply if three years have passed since the completion of the sentence, expiration of the term of probation, or grant of a pardon.
- II. They shall not be a related party or de facto related party of any party to the transaction.
- III. If the Company is required to obtain appraisal reports from two or more professional appraisers, such professional appraisers or appraisal officers shall not be related parties or de facto related parties of each other.

The professionals referred to in the preceding paragraph shall comply with the following provisions when preparing and issuing an appraisal report or opinion letter:

- I. Prior to accepting an assignment, they shall carefully evaluate their own professional capabilities, practice experience, and independence.
- II. When working on an assignment, they shall adopt and implement adequate operating procedures in formulating a conclusion and use the conclusion as the basis for issuing the report or opinion letter. The

procedures implemented, data collected, and conclusion reached shall be fully and accurately recorded in the working papers.

- III. They shall conduct an item-by-item evaluation on the completeness, accuracy, and reasonableness of the sources of data, parameters, and information used as the basis of the appraisal report or opinion letter.

They shall issue a statement attesting to the professional competence and independence of the personnel who are involved in the preparation and issuance of the report or opinion letter, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 26 In the event that the acquisition or disposal of assets requires the approval from the Board of Directors in accordance with these Procedures or other laws, if a Director expressly objects to the transaction and such an objection is put in record or represented in writing. The Board of Directors shall take each Independent Director's opinion into full consideration; if an Independent Director raises objection or expresses his/her reservation, such an objection or reservation shall be recorded in the minutes of the Board of Directors' meeting.

Article 27 The Procedures shall be adopted with the approval by one half or more of the Audit Committee members, and shall be submitted to the Board of Directors' meeting. In the event that the Procedures are not approved by one half or more of the Audit Committee members, the Procedures may be adopted with the approval by two thirds or more of all the Directors. After adopted at the Board of Directors' meeting, the Procedures shall be submitted to the shareholders' meeting for its approval. The same procedures shall apply to the amendments of the Procedures. If an Independent Director raises objection or expresses his/her reservation, such an objection or reservation shall be recorded in the minutes of the Board of Directors' meeting.

Article 28 Relevant laws and regulations shall apply to matters not provided by these Procedures.

Article 29 These Procedures are adopted at the annual general meeting of shareholders on May 27th, 2003. These Procedures are adopted at the annual general meeting of shareholders on June 15th, 2007. These Procedures are adopted at the annual general meeting of shareholders on June 4th, 2009. These Procedures are adopted at the annual general meeting of shareholders on June 15th, 2012. These Procedures are adopted at the annual general meeting of shareholders on June 18th, 2013. These Procedures are adopted at the annual general meeting of shareholders on June 17th, 2014. These Procedures are adopted at the

annual general meeting of shareholders on June 15th, 2017. These Procedures are adopted at the annual general meeting of shareholders on June 14th, 2018. These Procedures are adopted at the annual general meeting of shareholders on June 14, 2019. These Procedures will be approved by the Shareholder's Meeting on July 29, 2021.