

# Procedures for Acquisition or Disposal of Assets of China Steel Corporation

amended on June 17, 2022

## Chapter I General Principles

### Article 1

The Procedures for Acquisition or Disposal of Assets (hereinafter "the Procedures") of China Steel Corporation (hereinafter "the Company") are adopted in accordance with the provisions of the Article 6, Paragraph 1 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (hereinafter "the Regulations") regulated by Financial Supervisory Commission, Executive Yuan (hereinafter "FSC").

### Article 2

The term "assets" as used in the Procedures includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, and investment property) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions or transfer of shares in accordance with the law.
8. Other major assets.

### Article 3

The terms used in the Procedures are defined as follows:

1. "Right-of-use assets": Refers to assets that represent a lessee's right to use an underlying asset for the lease term in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
2. "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 variables; 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 lease contracts or long-term purchase (sales) agreements.
3. "Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of

shares in accordance with the law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institution Merger Act or other acts, or to transfer of shares from any other company through issuance of new shares of its own as the consideration thereof (hereinafter referred to as "transfer of shares") under Article 156-3 of the Company Act.

4. "Related party": As defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
5. "Subsidiary": As defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
6. "Professional appraiser": Refers to a real property appraiser or any other person duly authorized by an act of law to engage in the value appraisal of real property or equipment.
7. "Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of resolutions of the meeting of the Boards of Directors, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier. However, provided that 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.
8. "Mainland area investment": Refers to investments in Mainland China approved by the Investment Commission, Ministry of Economic Affairs, R. O. C. or conducted in accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area."
9. "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.
10. "Over-the-counter (OTC) venue": "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.
11. "Within one year": Refers to one year preceding the actual date of acquisition or disposal of the assets or occurrence of the transaction.
12. "Transaction amount": Refers to the transaction amount calculated using one of the following methods. However, in calculation of threshold of the transaction amount to determine whether the Company shall obtain appraisal reports or opinions from certified public accountants (CPAs), or whether items need to be approved by the Board of Directors, items duly conducted in accordance with the Procedures need not be counted toward the transaction amount. In calculation of the threshold to determine whether the Company shall publicly announce and report the relevant information of the transaction, items duly announced in accordance with the Procedures need not be counted toward the transaction amount:
  - (1) The amount of any individual transaction.
  - (2) The cumulative transaction amount of acquisitions or disposals of the same type of

underlying asset with the same trading counterparty within one year.

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

(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and (cumulative disposals, respectively) of the same securities within one year.

13. "All Audit Committee members": Refers to the actual number of persons currently serving in the Audit Committee.

14. "All Directors": Refers to the actual number of persons currently serving as Directors.

#### Article 4

Professional appraisers and their officers, CPAs, attorneys, and securities underwriters who provide the Company with appraisal reports, CPAs' opinions, attorney's opinions or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for one year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, 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 three years have already passed since the service of the sentence completed, since the period of a suspended sentence expired, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the aforementioned personnel shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. 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.
3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

#### Article 4-1

Where the amendment to the Procedures or the acquisition and disposal of individual assets

is subject to the approval of the meeting of the Board of Directors under the Procedures or other acts or regulations, such acquisition or disposal of assets shall first be approved by one-half or more of all Audit Committee members. Where a member of the Board of Directors expresses dissent (including in a written statement), it shall be recorded in the minutes of the meeting of the Board of Directors, and then the minutes shall be submitted to the Audit Committee. If approval of one-half or more of all Audit Committee members as required in the preceding paragraph is not obtained, the acquisition or disposal of assets 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 meeting of the Board of Directors.

## Chapter 2 Disposal Procedures

### Section I Acquisitions or Disposals of Assets

#### Article 5

The evaluation procedures for acquisition or disposal of assets of the Company, unless provided otherwise, shall be conducted in accordance with provisions regulated in the "Procurement and Payment Cycle" and "Investment and Finance Cycle" in the internal control systems of the Company.

#### Article 6

The Company's acquisition or disposal of assets shall be approved by the levels of authority according to the following provisions which are implemented by the first echelon units in charge, depending on the nature of assets in accordance with respective control operations of the relevant trading cycles in internal control system, unless such control operations provided otherwise by this Procedures:

##### 1. Investments of current and non-current financial instruments:

- (1) Investments for business purposes and disposal of their equities shall be submitted to the meeting of the Board of Directors for approval.
- (2) Executives are fully authorized to acquire or dispose the low-risk investments of financial instruments for the purposes of financial management, including government bonds, corporate bonds, financial bonds, domestic and foreign bond-type funds, domestic and foreign currency-type funds, negotiable deposit certificates, short term commercial papers and banker's acceptances acquired or disposed.
- (3) For other investments in financial instruments, the amount of each transaction or the cumulative amount of transactions within one year reaching NT\$200 million or more shall be submitted to the meeting of the Board of Directors for approval. Transactions not reaching NT\$200 million are fully handled by the authorized Chairman of the Board or executives and are subsequently reported to the next meeting of the Board of Directors for approval and future reference.

2. Real estate and other fixed assets:

(1) Acquisition: Except as otherwise stipulated in Article 8, Paragraph 1, Subparagraph 1 and Article 13, those already included in the annual operating budget shall be approved by the President or his authorized executives for handling; those not originally included in the budget or the originally budget to be insufficient shall be approved by the President or his authorized executives for handling after agreed by the meeting of the Board of Directors or its authorized levels in charge for reallocating portions from other existing budget categories or increasing the budget.

(2) Disposal: Except as otherwise stipulated in Article 8, Paragraph 1, Subparagraph 1, disposal of assets already completed pursuant to the procedures of obsolescence shall be approved by the President or his authorized executives for handling; disposal of assets not completed pursuant to the procedures of obsolescence shall be approved by the President or his authorized levels for handling after agreed by the meeting of the Board of Directors or its authorized levels in charge.

3. Right-of-use assets:

(1) Acquisition: The Company's acquisition of right-of-use assets due to a new lease contract, or due to the modification of a lease contract which is classified as addition of one or more right-of-use assets and expansion of scope of the lease as required by the International Financial Reporting Standards (IFRS), where the increase in lease amount is commensurate with the standalone price for the increase in scope, shall be handled in accordance with Sections 1 and 2 of this Chapter as well as Chapter 3. The recognition of right-of-use assets and the estimation of transaction amount shall be discussed with the Finance Department and the Accounting Department, and be handled in accordance with IFRS.

(2) Disposal: Sublease of right-of-use assets by the Company (lessee) to others, where the sublease is classified as a finance lease as required by IFRS, shall be handled in accordance with Sections 1 and 2 of this Chapter as well as Chapter 3. The recognition of sublease and the estimation of transaction amount shall be discussed with the Finance Department and the Accounting Department, and be handled in accordance with IFRS.

4. Other assets: Shall be approved by the President, except as otherwise stipulated in the Company Act, the Business Mergers and Acquisitions Act, other laws, the Company's Articles of Incorporation, and Sections 3 and 4 of this Chapter.

## Article 7

The total amount of investments and other equity interests, the total amount of investment in securities, the limit amounts for individual securities, and the total amount of real property and right-of-use assets thereof for non-business use invested by the Company and its subsidiaries are stipulated below respectively, except for domestic public subsidiaries who

have their own provisions of the Procedures for Acquisition or Disposal of Assets:

1. The total amount of the Company's investment shall not exceed 180% of the Company's paid-in capital. Of the total amount of the Company's investment, non-steel related investment shall not exceed 20% of the Company's paid-in capital; the total amount of investments in other securities shall not exceed 40% of the Company's paid-in capital, and investments in individual securities, except those in wholly-owned subsidiaries, shall not exceed 40% of the Company's paid-in capital.
2. The total amount of investment for each subsidiary whose primary business is not investment, transportation or trading, shall not exceed 100% of the subsidiary's paid-in capital; the total amount invested in other securities shall not exceed 40% of the subsidiary's paid-in capital, and investments in individual securities shall not exceed 40% of the subsidiary's paid-in capital. The total amount of investment for each subsidiary whose primary business is investment, transportation or trading, shall not exceed 300% of the subsidiary's paid-in capital.
3. The total amount of real property and right-of-use assets thereof acquired by the Company and each subsidiary for non-business use shall not exceed 10% of each company's paid-in capital.

Securities as referred to in the preceding paragraphs do not include low-risk investments acquired or disposed of for financial management purposes in Article 6, Subparagraph 1, Item 2.

## Article 8

For the acquisition or disposal of real property, equipment or right-of-use assets thereof where the transaction amount reaches NT\$300 million or more, the Company, unless transacting with a domestic government agency, commissioning others to build on its own land, commissioning others to build on rented land, or acquiring or disposing machinery equipment or right-of-use assets thereof held for operating use, shall obtain an appraisal report before the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances a limited price, specified price, or special price must be given as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the meeting of the Board of Directors, and the same procedure shall be followed for any subsequent change to the terms and conditions of the transaction thereafter.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed

of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:

(1) Where the discrepancy between the appraisal result and the transaction amount reaches 20% or more of the transaction amount.

(2) Where the discrepancy between the appraisal results of two or more professional appraisers reaches 10% or more of the transaction amount.

4 . No more than three 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 six months have elapsed, an opinion may still be issued by the original professional appraiser.

While dealing with the acquisition or disposal of real property, equipment or right-of-use assets thereof not contained in the preceding Paragraph, the first-echelon units in charge of acquiring or disposing of real property or right-of-use assets thereof shall refer to the declared current value, assessed value, the actual transaction prices of neighboring real properties and the leasing market for setting a transaction price; and the first-echelon units in charge of acquiring or disposing of equipment or right-of-use assets thereof shall refer to past transaction prices for same or similar assets experienced by the Company or those in the same industry, or the leasing market for setting a transaction price, as a reference for levels in authority to estimate the transaction price.

#### Article 9

When acquiring or disposing of securities, the Company shall, before the date of occurrence of the event, obtain the most recent financial statement from the issuing company, audited and reviewed by a certified public accountant (CPA), for reference in appraising the transaction price. In any of the following circumstances where the transaction amount reaches NT\$300 million or more, the Company shall engage a CPA to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event. However, securities with quoted prices in an active market or covered by other regulations of the FSC are not subject to this restriction.

Exceptions in the preceding paragraph refer to the following:

1. Securities acquired by means of cash subscriptions when establishing a company by founders or by offering public shares in accordance with the law, where the rights represented by the acquired securities are commensurate with the proportion of capital contributed.
2. Acquisition of securities issued by the target company based on par value in order to increase cash capital in accordance with the relevant regulations.
3. Acquisition of securities issued by direct or indirect wholly-owned subsidiary for the purpose of increasing cash capital, or mutual acquisition of securities issued by wholly-owned

subsidiaries among these wholly-owned subsidiaries for the purpose of increasing cash capital.

4. Listed, traded, and emerging securities traded in stock exchanges or by brokers.
5. Domestic government bonds, or bonds traded with repurchase or resale agreements.
6. Publicly offered funds.
7. Listed (or OTC) stocks acquired or disposed of in accordance with the rules and regulations promulgated by Taiwan Stock Exchange Corporation (TWSE) or Taipei Exchange (TPEX) with regard to tender offer or auction of listed (or OTC) stocks.
8. Participation in subscription to shares issued by domestic public companies for the purpose of increasing cash capital or domestic subscription of corporate bonds (including bank debentures), where the securities are not acquired through private placement.
9. Subscription to domestic privately placed fund prior to the establishment of the funds in accordance with Paragraph 1, Article 11 of the Securities Investment Trust and Consulting Act, or subscription to or redemption of a domestic privately placed fund, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.
10. Other situations regulated by the FSC.

#### Article 10

Where the Company acquires or disposes of intangible assets or right-of-use assets thereof, or memberships and the transaction amount reaches NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a CPA to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event.

#### Article 11

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.

### Section II

#### Article 12

When engaging in any acquisition or disposal of assets from or to a related party, the Company shall ensure that the reasonableness of the transaction terms is appraised, and other relevant matters are carried out, in compliance with the provisions of the preceding Section and this Section. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.



## Article 13

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 NT\$300 million or more, except the 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:

1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of the asset.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15 of the Procedures.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

For the following transactions between the Company and its subsidiaries, the Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board Meeting:

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

If the Company or a subsidiary of the Company that is not a domestic public company will have a transaction set out in Paragraph 1 and the transaction amount will reach 10% or more of the Company's total assets, the 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 subsidiaries or between its subsidiaries.

## Article 14

Where the Company acquires a real property or right-of-use assets thereof from a related party, the reasonableness of the costs of the transaction shall be evaluated in accordance with the following methodology:

1. Based on the transaction price at the time that the related party's initially acquired such, plus the required interests on funds and the costs that the Buyer must bear in accordance with the law. The cost of the required interests on funds as referred to herein shall be calculated on the basis of the weighted average interest rates for funds borrowed in the year that the assets were purchased from the related party, but shall not exceed the maximum interest rates for lending by non-financial sector as announced by the Ministry of Finance.

2. Where the related party has pledged the property to a financial institution as collateral, the total collateral value of the property as evaluated by the financial institution; however, the cumulative value of loans actually made for the property in question must be 70% or more of the total collateral value, and more than one year must have passed since the loans have been made. However, this shall not be applicable where the financial institution and a party to the transaction are mutually related parties.

Where the land and the building(s) located thereon are purchased or leased together, the transaction costs for the land and the building(s) may be evaluated separately in accordance with any of the methods set forth in the preceding Paragraph.

Where the Company acquires real property or right-of-use assets thereof from a related party, in addition to evaluating the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs, CPAs must also be engaged to audit such a cost and to express their specific opinions.

Where one of the following conditions is true, the preceding three paragraphs shall not apply:

1. Where the related party acquires the real property or right-of-use assets thereof through inheritance or as a gift.
2. Where the date on which the related party entered into the agreement to acquire the real property or right-of-use assets thereof precedes the date of the contract for the current transaction by more than five years.
3. Where real property are acquired by entering into a joint development contract with a related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.
4. Where the right-of-use assets of real property are acquired from subsidiaries for business use.

## Article 15

When the results of the Company's appraisal conducted in accordance with Paragraph 1 and 2 in the preceding Article are uniformly lower than the transaction price, the matter shall be

handled in compliance with Article 16. 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, this restriction shall not apply:

1. Where the related party acquires 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 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.

(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 prices in accordance with standard property market sale or leasing practices.

2. Where the Company acquires real property or obtains right-of-use assets of real property through leasing from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for 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; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction.

#### Article 16

Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two Articles are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property or right-of-use assets thereof, and may not be distributed or used for capital increase or issuance of bonus shares.

2. Independent Directors shall comply with Article 218 of the Company Act.

3. Actions taken pursuant to the preceding two Subparagraphs shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

When the Company has set aside a special reserve under the preceding Paragraph, 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 the assets have been disposed of, or the lease contract have 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 the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

### Section III

#### Engaging in Derivatives Trading

##### Article 17

The Company shall take the following principles and strategies for risk management and auditing matters when engaging in derivatives trading:

1. Trading principles and strategies:

(1) Operating or hedging strategies:

Trade in derivative instruments engaged in by the Company is limited to non-trade purposes, and under the principle of hedging against risk. All related organizations must confirm their operations in accordance with the authorized regulations, and attention must be paid to risk management and to making periodic assessments.

(2) Types of derivatives that may be traded: At present the Company's trade in derivative instruments is limited to hedge trades which fit in with the needs of our business, such as foreign exchange futures, currency swaps and interest rate swaps.

(3) Segregation of duties:

Finance Department: The finance department is the operational unit engaging in the trade of derivative instruments, and needs to be aware of the Company's overall position and financial trends here and abroad at all times. It engages in trades at the appropriate times within the authorized monetary limits, and keeps abreast of cash flow for trades that have already occurred as a means of lowering future delivery risks. The Finance Department must submit all trading certificates and related information to the Accounting Department to be entered into the accounts.

Accounting Department: The Accounting Department must keep accounts based on all certificates submitted by the Finance Department according to generally accepted accounting

principles.

(4) Performance evaluation: Following the settlement of accounts at the end of each month, the Cost Department must draw up a statement with the profits and losses for the period created from the actual settlement of trading in derivatives for said period as recorded in the accounts, and provide it to the Vice President of the Finance Division for performance evaluation.

(5) Total value of contracts and the maximum loss limit:

A. The total value of foreign exchange forward and currency swap contracts must be limited to the estimated net foreign exchange position generated from operations at the time of conducting the contract, while the total value of foreign exchange forward and currency swap contracts conducted to hedge against capital expenditure and investments must be limited to the total value of the hedged items. The total value of interest rate swap contracts must be limited to the total value of long-term debt of the Company.

B. When engaging in derivatives trading, the maximum losses for all contracts or for individual contract must not exceed 20% of the value of all contracts or of individual contract.

2. Risk management measures:

(1) The following risks should be considered within the scope of risk management, and should be avoided: Credit risks: The risk of losses incurred when the counterpart of the trade does not execute the terms of contracts.

Market risks: The risk of potential losses incurred by market price fluctuations in derivative instruments in the future.

Liquidity risks: The risks associated with the depth of trades on the commodities market and realization at appropriate market prices, and the risks associated with the delivery of fund allocations in the future.

Operational risks: Operational risks caused by negligence, insufficient supervision, fraud and improper controls and management.

Legal risks: Risks associated with losses caused by insufficiently detailed contracts, incorrect authorizations, and varying interpretations of legal stipulations.

(2) Trading personnel and those involved in confirmation and delivery are appointed by the Finance Department, but can not simultaneously hold positions in both areas. Trading personnel must submit trade certificates or contracts (orders) to confirmation personnel, who verify them with the banks and then notify delivery personnel. Trade certificates or contracts (orders) are also submitted to the Accounting Department, who must periodically verify or confirm them with the bank.

(3) Authorized monetary limits and levels: Authorized monetary limits are given as follows based on the status of the Company's operations and risk position :

Authorized Level	Single trade amount	Daily Total Amount
President or Executive Vice President	US\$20 million or equivalent	US\$50 million or equivalent
Vice President of Finance Division	US\$10 million or equivalent	US\$25 million or equivalent
General Manager of Finance Department	US\$5 million or equivalent	US\$12.5 million or equivalent

Situations processed according to authorizations should be recorded in the most recent business reports of the Finance Division for the Board of Directors.

(4) Periodic evaluations and abnormal situation management:

A. Hedge trades engaged for business purposes must be evaluated at least twice per month. Evaluation reports must be submitted to the Vice President of the Finance Division.

B. The Vice President of the Finance Division must perform evaluations of the performance of derivative instruments at the end of June and December in each year in order to ascertain whether they fit in with operational strategies, whether the risks are within the permitted range, whether current risk management procedures are appropriate, and whether they are being performed according to regulations. The results of the periodic evaluations must be recorded in the most recent business reports of the Finance Division for the Board of Directors.

C. The Vice President of the Finance Division must monitor and supervise the status of trading and losses. Corresponding measures must be taken in the event of an abnormal situation where market price evaluation reports exceed the upper limit for losses, and a report must be made immediately for the Board of Directors. An Independent Director must attend the meeting of the Board of Directors and provide his/her opinion.

3. Internal audit system; Internal auditors must periodically remain aware of the appropriateness of internal controls, examine the adherence by the trading department to the regulations for derivatives trading every month and make an audit report. Any major violation of the regulations shall be reported in writing to the Audit Committee.

#### Article 18

When engaging in derivatives trading, the Company shall establish a log book in which details of the types and amounts of derivatives trading engaged in, approval dates of the meetings of the Board of Directors, and the matters required to be carefully evaluated under Sub-item 1, Sub-item 2, Item 4, Subparagraph 2 of Article 17 shall be recorded in detail in the log book.

#### Section IV Mergers, Demergers, Acquisitions, and Transfer of Shares

#### Article 19

When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening a meeting of the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% 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 20

When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a public report to shareholders prior to the shareholders' meeting detailing important contractual content and matters relevant to the merger, demerger, or acquisition, along with the expert opinion referred to in the preceding Article when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided that a provision of another act exempts the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, the above said in this Article shall not apply.

#### Article 21

Every person participating in or being 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 securities of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

#### Article 21-1

When participating in a merger, demerger, or acquisition, the Company shall prepare a full written record of the following information and retain it for five years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another Company's shares prior to disclosure of the information.
2. Dates of material events: Including the dates of signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the signing of a contract, and the convening of meetings of the Board of Directors.

3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of meetings of the Board of Directors.

The Company shall, within two days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

#### Article 21-2

When participating in a merger, demerger, acquisition, or transfer of shares, the Company 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:

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

#### Article 21-3

The contract for participation by the 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:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock which participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.



6.Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

#### Article 21-4

In addition to the provisions of this section, the Company's participation in a merger, demerger, acquisition or share transfer must be conducted in adherence with the provisions of Paragraph 2 of Article 24, Paragraphs 1, 2, and 5 of Article 25, Article 29, and Article 30 of the Procedures.

### Chapter III Public Disclosure of Information

#### Article 22

Under any of the following circumstances, the Company acquiring or disposing of assets, based on the nature of the event, shall publicly announce and report the relevant information on the FSC's designated website according to the format and content required by FSC within two days from the date of occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches NT\$300 million or more. However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Merger, demerger, acquisition, or transfer of shares.
3. Loss from derivatives trading reaching the limit on aggregate loss or loss on individual contract stipulated in Sub-item 2, Item 5, Subparagraph 1, Article 17 of the Procedures.
4. Acquisition or disposal of equipment or right-of-use assets thereof for business use, in which the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion or above.
5. Acquisition of real property by 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, in which the trading counterparty is not a related party, and the Company expects to invest NT\$500 million or more.
6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in Mainland China reaches NT\$300 million or more; however, this shall not apply to the following circumstances:
  - (1) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.

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

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself 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 tenth 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.

In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company's headquarter, where they shall be retained for five years except where another act provides otherwise.

#### Article 23

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 following paragraph, a public report of relevant information shall be made on the information reporting website designated by the FSC within two days commencing immediately from the date of occurrence of the fact:

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

#### Chapter IV Additional Provisions

##### Article 24

Any subsidiary that is a domestic public company shall enact and implement procedures in accordance with "Regulations Governing Acquisition and Disposal of Assets by Public Companies" regulated by the FSC. Any subsidiary that is not a domestic public company shall enact and implement procedures for the acquisition and disposal of assets in reference to the Procedures.

##### Article 25

Information required to be reported in accordance with the preceding Chapter on acquisition

and disposal of assets by any subsidiary that is not itself a domestic public company shall be reported by the Company.

#### Article 26

Directors and Supervisors of any subsidiary designated by the Company shall monitor and supervise the procedures of subsidiary to ensure that all procedures stipulated for the acquisition and disposal of assets are indeed followed.

In evaluating the appropriateness of procedures for acquisition or disposal of assets, a subsidiary that is a domestic public company should provide the Company an internal audit report rendered by its internal auditors; a subsidiary that is not a domestic public company shall be audited in a timely manner, either by an internal auditor of the Company, or by an external auditor engaged by the subsidiary as required by the Company.

#### Article 27

Punishments will be imposed on the Company's officers and employees depending on the severity of such persons' violation of the Procedures in accordance with the rules in "Reward and Punishment", Chapter 2, Part 4 of the Company's provisions of personnel management.

#### Article 28

Any matters not set forth in the Procedures shall be dealt in accordance with related laws and regulations.

#### Article 29

The Procedures shall be enforced after the approval by the Board of Directors and the shareholders' meeting. The same shall apply to any amendment to the Procedures.