

ENNOSTAR Inc. Acquisition or Disposal Procedures of Asset

Amended by AGM dated May 31, 2022

Section 1 Acquiring or Disposing Assets

Article 1 : References

The Acquisition or Disposal Procedures of Asset (hereinafter “the SOP”) is subject to “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

Article 2 : Definition of assets

1. Investment in securities (including stocks, government bonds, corporate bonds, financial bonds, depository receipt, call/put warrants, beneficiary securities and asset-based securities etc.)
2. Real estate (including land, houses and buildings and investment property) and equipment.
3. Membership certificates
4. Intangible assets such as patents, copyrights, trademarks, concession and so on.
5. Right-of-use assets.
6. Derivatives
7. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other important assets

Article 3 : Decision-making approaches on pricing and references

1. Securities

Other than publicly quoted prices of securities that have an active market or where otherwise provide by regulations of the Financial Supervisory Commission (FSC), the ENNOSTAR Inc. (hereinafter referred to as “Company”) acquiring or disposing securities should receive the most recent audited CPA report/financial statement from the target company as the reference for evaluating trading price before the day of occurrence. Moreover, any trading exceeding 20% of the paid-in capital or above NT\$300 million requires CPAs’ comment on the rationality of trading price before the day of occurrence.

2. Real estate, equipment or right-of-use assets.

Before the day of occurrence, any real estate, equipment or right-of-use assets acquired or disposed by the Company with trading value more

than 20% of paid-in capital or above NT\$300 million are required to obtain the quotation from professionals except trading with domestic government agency, outsourcing construction projects for self-owned/rented properties, or acquiring/disposing equipment/facilities or right-of-use assets for business use. And the following regulations must be followed:

- (1) Any transaction requiring a limited price, specific or special price as reference for any special reason should be submitted for reviews and approval in advance by the Board of Directors (the “BOD”); the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) An appraisal report is required to state the following contents:
 - A. All the items required by the Regulations on Real Estate Appraisal.
 - B. Related items for the appraiser and professional.
 - (a) The name, total capital, organization structure and employment structure of the professional appraising company.
 - (b) The appraiser’s name, age, education (with related evidence), the number of years working in appraisal and period, number of cases undertaken by the appraiser.
 - (c) The relationship between the professional appraising company, the appraiser and outsourced company.
 - (d) A statement of “No fraud or concealment in any statement of the appraisal report”.
 - (e) The date of issuing the report.
 - C. The basic profile of the appraised target should at least include the name, feature, location and area etc.
 - D. An actual case compared with other real estate in the same area of the target.
 - E. For cases with limited or specific price range, the appraiser should evaluate whether the current conditions are still consistent with such limitation. The appraiser is also required to state the rationales and reasonability of the difference between the target and normal price, and comment on whether the limited/specific price is rationale to be the basis for transaction price.

- F. If the target is a contract of joint construction, the reasonable proportion of both parties should be noted.
 - G. Estimate the value-added tax for lands.
 - H. When the same appraiser concludes a price with more than 20% difference of the same period, whether the appraiser complies with Article 41 of Real Estate Appraiser Act is required to be investigated.
 - I. The attachments should include the details of the appraisal, registration information of ownership, a copy of situated area, a brief summary of urban renewal, the map of the target where it is located, the usage certificate of different sections of the land, the photos of the current status of the target.
- (4) Except for all of the evaluation results of acquired asset made by the professional appraisers are higher than the transaction amount or all of the evaluation results of disposed asset made by the professional appraisers are lower than the transaction amount. If a professional appraiser comes up with any of the following result, the Company should consult with CPAs and the CPAs should issue definitive comments on the reasons of the difference and reasonability of the transaction price:
- A. The appraisal result has more than 20% difference from the actual transaction amount.
 - B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (5) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

The “professional appraisers” refer to real estate appraiser, or other appraisers permitted by law to conduct appraising for real estate and equipment.

3. Membership certificates or intangible assets or right-of-use assets
- Before the day of occurrence of the event, any membership certificates, intangible assets or right-of-use assets acquired or disposed by the Company with trading value more than 20% of paid-in capital or above NT\$300 million are required to obtain CPAs’ opinion on the

reasonableness of trading price before the day of occurrence of the event.

4. The calculation of the transaction amounts in the first three paragraphs should be proceeded according to the regulations stated in the paragraph 2 of Act. 6, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
5. Derivatives
Comply with related regulations of Section 3 in "Acquisition or Disposal Procedures of Assets" by the Company.
6. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law.

Any professional appraising company and their appraisers, any accountants, legal consults, or security underwriters that provide the Company with appraisal reports and any party to the transaction shall in comply with the following regulations:

1. No violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, falsification of documents or occupational crimes, been declared of more than one year imprisonment. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. The counterparty should not be a related party or a party with a substantive relationship.
3. If two or more appraisal report shall be obtained, the different professional valuers or appraisers may not be related to each other or have substantive relationships.

When issuing the appraisal report or opinion, the personnel of the preceding paragraph shall comply with the self-regulatory rules of their own industry associations and the following matters:

1. Professional ability, practical experience and independence should carefully assess before undertaking a case.
2. A case should be executed by appropriate operational procedures and should be properly planned and implemented to reach a conclusion for

the basis of a report or opinion accordingly; the procedures, data collected and conclusions shall be carried out with details in the working paper of the case.

3. The data source, parameters and information used shall be evaluated item by item for appropriateness and reasonableness as the basis for the issuance of appraisal reports or opinions.
4. The statement shall include the professionalism and independence of the relevant personnel, the information used for evaluation is appropriate and reasonable, and the relevant laws and regulations are followed.

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's comments.

Article 4 : Transaction cap

1. If the asset acquired or disposed by the Company and any subsidiary belongs to lands, real estate and equipment or right-of-use asset for business use, there will not be any limitation on the cap of transaction. If the business scope of a subsidiary is in business investment category, the amount of securities investment is not limited.
2. For all real estate and right-of-use asset for non business use purchased by the Company and any subsidiary, the transaction amount should not exceed 10% of the net value of the most recent financial statement.
3. The transaction cap of Security investment of the Company and subsidiaries is limited to 150% and 60% respectively of the net value of the most recent financial statement. The aforesaid limitation does not apply to the case when reorganizing the group's organizational structure.
4. The amount of investment in individual securities of the Company and its subsidiaries is limited to 50% and 30% respectively of the most recent financial statement. The aforesaid limitation does not apply to the case when reorganizing the group's organizational structure.

The amount of securities investment mentioned above should be calculated in accordance with initial investment cost.

Article 5 : Delegation, execution unit and decision-making procedure of transaction conditions

1. Acquisition procedures of real estate and equipment or right-of-use asset:
the acquisition of the Company's real estate and equipment and right-of-use asset should be authorized to the responsible managers within their delegation after the execution unit proposes a budget and approved by the BOD. In the case of emergency, any case under

NT\$100 million is authorized by the President to review and approve. Any case from NT\$100 million to NT\$300 million should be reviewed and approved by the chairman and submitted to the next nearest BOD meeting for report. Any case more than NT\$300 million is required to be submitted to the BOD for deliberation and approval.

2. Procedure of disposing real estate and equipment and right-of-use asset: Any discarding or selling of real estate and equipment and right-of-use asset by the Company require a statement of reasons via special project from the original user. Any case with the higher of on-par value and appraisal value under NT\$50 million after quoting, price comparison and negotiation by the manager of the assets should be approved by the President. For cases from NT\$50 million to NT\$100 million, the Chairman should review and approve. Any application above NT\$100 million requires the BOD' review and approval.
3. Acquisition and disposal procedure for investment on securities

(1) Authority Matrix

Items	Amount per time	Authorized signer		
		President	Chairman	BOD
Strategic securities	below 300 millions	review	approve	
	exceed 300 millions		review	approve
Short-term securities *	below 100 millions	approve		
	exceed 100 millions	review	approve	

* The purpose of short-term security is for Short-term fund transfer, it includes buy/sell short-term notes, repo/resell bounds, bound fund, currency fund and Structured/linked deposits with a principle guaranteed.

- (2) Executive unit: The investment project will be undertaken by the Finance and Risk Management Office or the Investment Management Office.
4. The acquisition and disposal procedures of intangible assets, right-of-use assets or membership cards:
The execution unit is required to prepare related information and submit to the BOD for deliberation and approval.
5. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law and other important assets:
The BOD should be entitled to deliberate and approve.

When the Company acquires or disposes any asset compliant with the afore-stated regulation or other laws that require approval from the BOD but some directors express objection with record or written statement, the Company should send this information to each supervisor.

When the Company has independent director in place, the Company should consider each independent director's comment when submitting any application of acquiring and disposing assets to the BOD for discussion in compliance with paragraphs 1 to 5. In case of any objection or comment to put hold of the application, the meeting notes of the BOD should be noted.

When the Company has formulated the Audit Committee, any major transaction of assets or derivatives should receive approval from 50% or more members of the Audit Committee and submit to the BOD for approval.

The afore-stated cases should obtain concurrence of 2/3 or more members from the BOD' directors if they do not receive the approval from 50% members in Audit Committee. And this situation, along with the resolution of Audit Committee, should be noted in meeting notes.

The afore-stated "Audit Committee members" and afore-stated "all directors" refer to those who are actually performing duty currently.

Article 6 :

Procedure of promulgation and declaration

The Company is liable to announce and declare on websites appointed by regulators in regulated format within 2 days after the occurrence of any of the following incident (hereinafter "the occurrence date") when acquiring or disposing assets:

1. Obtain or dispose real estate or right-of-use assets from related parties; obtain or dispose the assets not aside from real estate or right-of-use assets with trading value of 20% of the Company's paid-in capital or that of 10% of total asset or more than NT\$300 million; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds which is issued by domestic security investment trust entity.
2. Merger, demerger, acquisition, or transfer of shares.
3. The loss incurred from derivatives transaction reaching the limits on aggregate losses or losses on individual contracts based on rules in the procedures adopted by the Company.
4. Acquire or dispose equipment or right-of-use assets which for business use and Trading partner is not related parties, transaction amount is to one of the following requirements:

- (1) The Company paid-in capital is less than NTD Ten (10) billion, the transaction amount is above NTD five hundred (500) million.
- (2) The Company paid-up capital is above NTD Ten (10) billion, the transaction amount is above NTD one (1) billion.
5. The Company acquires real estate via outsourcing construction on self-owned lands or outsourcing construction on leased lands, or joint construction and separate sales, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction is above NTD five-hundred (500) million.
6. Other than the above 5 types of transactions or investment in the mainland China area, or any other cases worth more than 20% paid-in capital of the Company or NT\$300 million, the following situations shall not be applicable:
 - (1) Trading of domestic government bonds or foreign government bonds whose sovereign credit rating is not lower the one of our country.
 - (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds which is issued by domestic security investment trust entity.

Each of the above-stated transaction value is calculated by any of the following formula:

1. Total of each individual transaction
2. The transaction total of the same person accumulated in one year from acquiring or disposing the same type of targets
3. The transaction total accumulated in one year from acquiring or disposing (cumulative acquisitions and disposals, respectively) on the same project to develop real estate or right-of-use assets.
4. The transaction total accumulated in one year from acquiring or disposing (cumulative acquisitions and disposals, respectively) the same security.

The above-stated “investment in the mainland China area” stated in first Paragraph of this Article refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

The above-stated “the occurrence date” stated in first Paragraph of this Article, in principle, refers to the contract signature date of transactions, payment date, engaged transaction date, transmission date, resolution date of the BOD, or the date confirming other transaction counterparties or

transaction price, whichever occurs first. However, for the investments requiring regulators' approval, "the occurrence date" refers to any of the above dates or the date receiving regulator's approval, whichever happens first.

The "within one year" mentioned in Paragraph B refers to the one year before "the occurrence date". The dates already announced may be exempt from the calculation.

The Company should update the status of derivatives transaction of the Company, and subsidiaries of non-listed companies in Taiwan as of last month end to website appointed by regulators in regulated format prior to 10th of every month.

- Article 7 : Procedure to control acquisition or disposal of assets by subsidiaries
1. The Company should supervise each subsidiary to formulate a SOP regarding acquiring and disposing assets.
 2. When each subsidiary acquire or dispose any asset, they should provide related data to the mother company and proceed with acquisition or disposal process after taking reference from the comments of related parties in the mother company.
 3. For subsidiaries of the Company that are not listed companies and meeting the declaration requirements stipulated in Article 6 of the SOP, unless investment is their professional business and except for trading for securities in domestic/overseas stock exchange house or business areas of security companies, the Company should take care of the announcement and declaration details.
 4. In the declaration requirements of the Company and its subsidiaries subject to the sentence "paid-in capital or total asset of the Company" refers to the paid-in capital or total asset of the Company.

- Article 8 : Content of promulgation and declaration
- The Company should comply with regulators' related rules to declare the items requiring to be made public based on the afore-stated regulations.

- Article 9 : Correction of announcement/declaration
- When the Company needs to make correction for any announcement items based on Article 6, the Company is required to make promulgation for the entire content again.
- After declaring transactions based on Article 6, the Company is required to announce and declare on websites appointed by regulators in regulated format within 2 days from the date on which known for the occurrence of any of the following incident (hereinafter "the occurrence date")

1. Any change/termination/cancellation of the contracts related to the original transaction contract.
2. Any merger, demerger, acquisition, or transfer of shares is not completed by the due date subject to the contract.
3. Any changes in the announced content.

Article 10 : Data retention

When the Company acquires or disposes any asset, the Company should retain all related contracts, meeting notes, records, appraisal reports, letter of comments by the CPAs, lawyers or security underwriters in the Company. Unless otherwise stipulated by laws, all the documents should be preserved for at least 5 years.

Section 2 Related parties trading

Article 11 : When acquisition or disposal of real estate occurs between the Company and related parties, the Company should not only follow the rules of this Section on related resolution procedures and evaluating the reasonability of transaction conditions but also may provide the appraisal report made by professional appraiser or CPA's comments as stated in previous section when the transaction amount is over 10% of the Company's total asset. The transaction amount mentioned in the previous paragraph should be calculated in accordance with the regulations stated in paragraph 4 of Act. 3. When judging whether the transaction counterparty is a related party or not, the Company should consider not only legal ties with the counterparty, but also de facto relationship.

Article 12 : When acquisition or disposal of real estate and right-of-use assets occurs between the Company and related parties or the transaction amount of trading the assets aside from real estate or right-of-use assets is reaches 20% or more of the Company's paid-in capital, 10% or more of total asset, or more than NT\$300 million, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds which is issued by domestic security investment trust entity. The Company should submit the following information to the BOD for approval and recognition by the supervisors to before signing the contract and paying the amount:

1. The purpose, necessity and estimated effectiveness of such acquisition or disposal of assets.
2. The reason(s) of choosing this related party for such transaction.

3. Acquiring real estate or right-of-use assets from related parties, related data on evaluating the estimated transaction conditions based on Article 13 and 14.
4. The original acquisition date and price of the related party, the relationship between the counterparty and its company and related party etc.
5. An estimate table of cash revenue/expenditure for the following 12 months after the estimate contract date, and evaluation on the necessity of the transaction and reasonability of capital utilization.
6. The appraisal report made by the professional appraiser or CPA's comments as stated in the previous paragraph.
7. The limitations of this transaction and other important agreements.

If the Company and its subsidiaries or subsidiaries that directly or indirectly hold 100% of the issued shares or total capital engaged in the following transactions with each other is under NTD1,000 million, the chairman is authorized to determine the execution and then submitted to the board meeting to have it approved.

1. Obtain or dispose of equipment for business use or its right-of-use assets.
2. Acquiring or disposing of the real estate right-of-use assets for business use.

When the Company has independent director in place, the Company should consider each independent director's comment when submitting any application of acquiring and disposing assets to the BOD for discussion. In case of any objection or comment to put hold of the application, the meeting notes of the BOD should be noted.

When the Company has formulated the Audit Committee, any matters requiring supervisors' recognition per Paragraph 1 should receive approval from 50% members of the Audit Committee and submit to the BOD for approval.

The afore-stated cases should obtain concurrence of 2/3 members from the BOD' directors if they do not receive the approval from 50% members in Audit Committee. And this situation, along with the resolution of Audit Committee, should be noted in meeting notes.

The afore-stated "Audit Committee members" and afore-stated "all directors" refer to those who are currently performing their duties.

If the Company or the Company's subsidiary whose shares have not been domestic publicly issued has any transaction related to the first item described whose amount reaches 10 percent or more of the Company's total

asset, the Company should submit the relevant information to the shareholders meeting and gain the approval before entering into a transaction contract and making any payment. However, this restriction shall not apply to the transaction within the Company, the subsidiaries or its subsidiaries.

The calculation for the transaction amount of the first item and aforementioned item shall abide by the paragraph 2 of Article 6. “Within the preceding year” refers to the year preceding the date of occurrence of the current transaction. Items duly submitted to shareholders meeting, approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.

Article 13 : The Company should evaluate the reasonability of transaction cost when acquiring real estate or right-of-use assets from related parties with the following methods:

1. Other than the original transaction price, add all necessary interest incurred from the capital and costs liable for the buyer pursuant to related laws. The “necessary interest cost of funding” is based on the weighted average interest rate of the loan for assets procured of the same year. However, it should not exceed the highest interest rate among financial institutes promulgated by Ministry of Finance.
2. If any related has pledged a mortgage to any financial institute with the target asset, the financial institutes should have evaluated a total value of the target against the loan. However, the loan-to-value decided by the financial institute should be more than 70% and the loan period must exceed more than one year. Nonetheless, this rule does not apply to the case when any of the financial institute or transaction counterparty is the related party.

When purchasing or leasing the lands and houses of the same target together with other parties, the Company should follow any of the above-stated methodologies to calculate the value of the lands and houses.

The Company should evaluate the cost of real estate or right-of-use assets subject to Paragraph 1 and 2 when acquiring real estate or right-of-use assets from related parties, and consult with CPA for review and issue definitive comments.

When any of the following situations applies to the acquisition of real estate or right-of-use assets by the Company, Article 12, instead of the afore-stated 3 regulations, shall be the basis:

1. The real estate or right-of-use assets was inherited or given to the related party.

2. The acquisition of the real estate or right-of-use assets (by contract) by the related party has exceeded more than 5 years of the contract date of the transaction.
3. The real estate was acquired from signing a joint construction contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The Company and its subsidiaries, or subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, acquire the real estate right-of-use assets for business use.

Article 14 : The Company should follow the regulations in Article 15 when the evaluation result is lower than the actual transaction price following the assessment standards in Paragraph 1 and 2 in the afore-stated article. However, such rule does not apply to any of the following, especially when object evidence is provided and the professional appraiser of real estate and CPA both issue comments on the reasonability of such transaction:

1. The related party provides evidence subject to any of the following criteria when acquiring pure lands and initiate construction:
 - (1) For pure lands, the rules of the above-stated article shall apply. For houses, the sum of the building cost and a reasonable construction profit for the related party exceeds the actual transaction price. The “reasonable construction profit” refers to the average operating gross rate of the construction department of the related party in the recent three years or the gross rate of construction industry announced by Ministry of Finance, whichever is lower.
 - (2) Any other cases of transaction with non related parties for the other floors of the target’s housing lands or adjacent areas with similar areas. And the transaction conditions are similar to the case of the related party based on the transaction practices of real estate or lease in terms of the reasonable number of floors or after evaluating the price differentiation of the same area.
2. The real estate by purchasing or by leasing to acquire the right-of-use assets which the evidence is proposed by the Company has transaction conditions similar to other cases of transactions with non related parties in the same neighborhood in a year and with similar areas.

The above stated “transactions in the same neighborhood”, in principle, refers to the area within 500 meters in the same, or adjacent, streets/roads, or any similar case based on publicly announced current value. The “similar areas,” in principle, refer to more than 50% of the areas of the transaction targets with non-related parties. The “one year” refers to 12 months prior to

the de facto date of acquiring the real estate or right-of-use assets this time.

Article 15 : When the evaluation result of the Company based on Article 13 and 14 for acquiring real estate or right-of-use assets from related parties is lower than the transaction price, the Company should comply with the following:

1. Pursuant to Paragraph 1 Article 41 of Securities & Exchange Act, the Company should reserve a special earned surplus for the difference between the transaction price and assessed cost of real estate or right-of-use assets. The Company should not distribute or reallocate the amount to recapitalization stocks. If the public company follows Equity Method for investments, the one should also reserve special earned surplus proportionally based on the regulation in Paragraph 1 Article 41 of Securities & Exchange Act.
2. The supervisors should comply with the regulations in Article 218 of Company Act.
3. The Company should submit the follow-up status of Subparagraph 1 and 2 to Shareholders' Meeting and disclose the details of transactions in the Annual Report and Prospectus.

The Company shall provide a special surplus reserve in accordance with the provisions of the preceding paragraph. The assets purchased or leased at a high price shall be recognized as a loss or disposed or termination of the lease or may be properly compensated or reinstated, or there is other evidence provided with no unreasonable situations, and with the consent of the competent authority, the special surplus reserve shall be utilized.

The 2 rules of the above-stated paragraphs should be applicable when other evidence proving abnormal transactions is discovered when acquiring real estate or right-of-use assets from related parties.

Section 3 Derivatives Transaction

Article 16 : Transaction principles and policies

1. Transaction types:

The derivatives transactions of the Company refers to the contracts of which the value derives from specific interest rates, price of financial tools, merchandise prices, exchange rates, indices, price or rate index, credit rating, or credit index or other index, including forwards (excluding insurance contracts, guaranty of contract, after-sale service guarantee, long-term lease contracts and long-term purchasing/sales contracts), options contracts, futures contracts, Leverage margin contract, swap contracts, hybrid contracts combining the above contracts; or hybrid contracts or structured products containing

embedded derivatives. Any other products require the approval from the chairman before transaction.

2. Management or hedging strategies:

Transaction of derivatives should focus on hedging; the targets of the transactions should also be banks having business relationship with the Company to avoid credit risk.

3. Delegation:

(1) Treasury Department: Treasury Department is responsible for FX management system, such as collecting market information, judging the market trend and risks, becoming familiar with financial products and transaction skills etc. Treasury Department, under the instruction of its head, is authorized to control FX positions based on the Company's internal policy on risk hedging.

(2) Accounting Department: Accounting Department controls the entire FX position, settles the realized and unrealized exchange P/L on a regular basis for Treasury Department to decide their hedging practices.

4. Evaluation of performance:

For any transaction on derivatives, the trader(s) should mark down the details (such as amount, exchange rate, banks, maturity date etc) on the summary of unwinding position in order to control P/L. In addition, the FX exchange P/L should be settled on a monthly, quarterly and annually basis.

5. Total facility of master agreement and all/individual loss limit:

(1) Total facility of master agreement shall be pursuant to the risk position (net) of the Company.

(2) All/individual loss limit:

The trading on derivatives of the Company is for hedging purpose. The loss cap for all/individual contract is 15% of the contract value. However, in the case of any major negative impact related to exchange rates or interest rates, the Company should convene a meeting to gather all related parties and discuss solutions.

Article 17 : SOP

The derivatives transaction of the Company is practiced as the following delegations:

1. Facilities authorization:

(1) Forwards (including non-principal settlement):

Delegation	Facilities authorization for each trading
Head of Treasury Department	under (including) US\$1 million
President	under (including) US\$3 million
Chairman	under (including) US\$5 million
BOD	Above(excluding) US\$5 million

(2) Other related derivatives products require the approval from the BOD before trading.

2. Execution unit:

The specialists in Treasury Department are authorized to perform trading.

Article 18 : Internal control system

1. Measures of risk management:

(1) Consideration of credit risks: The counterparties of our transactions are limited to banks having business relationship with the Company and with reputable credit history, provided that they are capable for offering professional information.

(2) Consideration of market price-related risks: Given the fluctuation of market price for derivatives, after confirmation a position, the Company should monitor the possible loss at all times, and convene a management-level meeting when necessary to come up with counter measures.

(3) Consideration of liquidity: To ensure sound liquidity, the banks serving as the Company's counterparties must possess sufficient equipment, information and trading capabilities. The targets of trading should be general and common.

(4) Consideration of cash flow-related risks: To ensure liquidity in the market, when choosing financial products, the financial institutes must possess sufficient equipment, information and trading capability. The traders should also monitor the cash flow of companies to ensure they have enough cash for payment upon settlement.

(5) Consideration of operations: All transactions should abide by the delegated cap and SOP.

(6) Consideration on laws: Any documents signed with banks should be reviewed by legal experts.

2. Internal control:
 - (1) Traders, registrants and settlers may not work as each other's acting or duplicate job function.
 - (2) The registrants should confirm the accounting book or legal certificates with banks.
 - (3) The registrants should specify details of trading on the summary of unwinding positions (amount, exchange rate, banks, and maturity date) and the auditors should focus on whether the total transaction amount and SOP are compliant with internal rules.
3. Regular evaluation:
 - (1) The traders should request the counterparties (banks) to provide pricing of all types of trading details and current exchange rate, and evaluate P/L twice a month (in the middle and end of each month) before submitted to the head of Treasury Department for review and approval.
 - (2) The P/L should be settled based on market value on quarterly, semi-annually and annually basis and disclosed in financial statements.

Article 19 : Internal audit system

The internal auditors should understand the rationality of internal control on a regular basis and write an audit report after auditing trading department's compliance with the procedure. The audit report should be merged with the annual inspection plan of internal audit. Any major violation should be notified to each supervisor in a written notice and upload the afore-stated audit report, along with the implementation status of annual inspection project on internal audit, to the website appointed by regulators prior to February end of the following year.

Article 20 : Methods of regular assessment and handling abnormal situations

1. The BOD appoints senior managers to monitor at all times the supervision and control of risks related to derivatives transaction. The BOD should also evaluate whether the performance of such trading is subject to the existing management strategies and whether the risk tolerance is acceptable.
2. The BOD authorizes senior managers to evaluate whether the current risk management measures are appropriate and compliant with the procedure on a regular basis.
3. Supervise trading and P/L. Upon any discovery of abnormal cases, the head of Treasury Department should adopt necessary measures and report to the BOD immediately. If independent directors are in place, the

BOD should invite independent directors to attend the meeting and express their opinions.

- Article 21 : Announcement of information
1. If any trading of derivatives suffers loss up to the entire loss limit of the procedure or the cap of the individual contract, the Company is required to announce related information on the website appointed by the regulators within 2 days after the occurrence date.
 2. Prior to the 10th of each month, the Company should upload the status of derivatives trading of the Company and subsidiaries of non-listed companies as of last month end to the website appointed by the regulators with regulated format.
- Article 22 : For derivatives transactions, the Company should prepare a record book to detail the category summary, amount, approval date of the BOD, and items of regular evaluation on the transactions into the record book.

Section 4 Corporate mergers, demergers, acquisitions, and transfer of shares

- Article 23 : The “assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law” in the Procedures refers to the assets acquired or disposed subject to Business Mergers and Acquisitions Act, Financial Holding Company Act, The Financial Institutions Merger Act or other laws via corporate merger, demergers, acquisition, or transferred company shares (hereinafter “transfer of shares”) via new issuance subject to Article 156-3 of Company Act.
- Article 24 : For any corporate merger, demerger, acquisition, or transfer of shares, the Company should engage accountants, lawyers or security underwriters to comment on the rationality on the proportion of equity swap, transaction price, cash dividend to the shareholders or other properties before BOD meeting. And these comments should be submitted to the BOD for discussion and approval. But the Company mergers the subsidiary which issued shares or capital is directly or indirectly 100% be held by the Company, or mergers between subsidiaries which the Company separately holds 100% issued shares or capital, the provision above do not apply.
- Article 25 : Prior to any merger, demerger, or acquisition that the Company participates, the Company should include the important content of the agreement and related items in a document, along with afore-stated professional comments and meeting notice, and distribute to the shareholders before the convention of Shareholders’ Meeting. This information will be the reference for shareholders on whether or not they would agree on the merger, demerger or acquisition. Unless otherwise stated in other laws, the mergers,

demergers, or acquisitions of the Company requires the approval of the shareholders in Shareholders' Meeting.

In the case of failed convention of Shareholders' Meeting as a result of insufficient number of attendants, insufficient voting rights or other legal restrictions for the Shareholders' Meeting of any party involved with the merger, demerger, or acquisition, or the resolution/proposal related to the merger, demerger, or acquisition is denied by shareholders, both parties should immediately make announcement to the public and explain the reasons, follow-up process, and estimated date of the next Shareholders' Meeting.

Article 26 : Unless otherwise indicated in other laws or any special reasons requiring pre-approval by the regulators, the Company should convene the BOD meeting and Shareholders' Meeting on the same day with the company participating the mergers, demergers, or acquisition to decide related matters of such mergers, demergers, or acquisition.

Unless otherwise indicated in other laws or any special reasons requiring pre-approval by the regulators, the Company should convene the BOD meeting and Shareholders' Meeting on the same day with the company participating the transfer of shares.

The Company should retain the following information in a complete written form for 5 years in case of future inspection when participating any merger, spin-off, acquisition or transfer of shares:

1. Basic profile of people: Including the titles, names, ID numbers (or passport numbers for foreigners) of everyone participating or executing the mergers, demergers, acquisitions, or transfer of shares prior to the announcement of such news.
2. Important dates: Including the dates of signing letter of intent or MOU, engagement for financial or legal consultants, signing the contracts and BOD meeting.
3. Important documents and meeting notes: Including the plan of mergers, demergers, acquisitions, or transfer of shares, letter of intent or MOU, important contracts and meeting notes of BOD meetings etc.

In the case of participating mergers, demergers, acquisitions, or transfer of shares, The Company should upload the information stated in Subparagraph 1 and 2 within 2 days after the occurrence date of the BOD approving the resolution to the internet system in regulated format for FSC's future review.

If the company participating in the Company's merger, demerger, acquisition, or transfer of shares is not a listed/OTC Company, the

Company should sign an agreement with the company and process according to the stipulation in foresaid two Paragraphs.

Article 27 : The Company and all the other participants or people informed of the plan of merger, demerger, acquisition, or transfer of shares should provide confidentiality agreement. Before releasing any message, they should not disclose the content of the plan to anyone. Nor should they subscribe to/sell the stocks of all the related companies in the merger, spin-off, acquisition or transfer of shares, or other equity-related securities in their own or others' names.

Article 28 : When the Company participates in a merger, demerger, acquisition, or transfer of shares, except for the following situations, the percentage of equity swap or acquisition price should not change without a reasonable rationale (and the changes should be noted in related contracts):

1. Capital injection by cash, issuance of convertible corporate bonds, non-payment dividends, issuance of equity warrant bonds, equity warrant special shares, equity warrants and other equity-related securities.
2. Any disposing of assets imposing major impacts to the Company's financial status.
3. Any major disaster or great revolution of technologies that heavily impact the equities or securities' price of the shareholders.
4. Any of the companies participating in the merger, demerger, acquisition, or transfer of shares purchase treasury stock.
5. The entity of the companies participating in the merger, demerger, acquisition, or transfer of shares or the number of branch areas has changes.
6. Other conditions pursuant to changes in the contract and disclosed to the public.

Article 29 : When the Company participates in a merger, demerger, acquisition, or transfer of shares, the related contract should specify the rights and obligations of the Company and the following:

1. Handling of contract breaking.
2. Handling principles for issued equity-related securities or purchased treasury stock from the merged or demerged companies.
3. Handling principles of purchasing treasury stocks (and the number of such acquisition) after equity swap date by the participating company.
4. Handling methods for any changes of the participating entity or number of business areas.
5. Estimate execution progress and complete dates.

6. Handling procedures of an estimate Shareholders' Meeting in case the project fails to meet the deadline of completion.

Article 30 : If any party participating the merger, demerger, acquisition, or transfer of shares plans to conduct another merger, demerger, acquisition, or transfer of shares after disclosing the information for the transaction, unless 1) the number of participating entities reduces and the Shareholders' Meeting has concluded to authorize to the BOD on changing delegations, or 2) the Shareholder's Meeting has concluded the participating company is exempt from convening another Shareholder's Meeting for another resolution; the completed procedures or legal acts in the transaction should be repeated by all the participating companies.

Article 31 : If any participating company in the merger, demerger, acquisition or transfer of shares is a not a public company, the Company should sign an agreement with the non-public company pursuant to Articles 26, 27 and 30.

Article 32 : Penalty
If any director, supervisor or manager of the Company breaches any rule in "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and indemnify the Company, he or she should be discharged of duty.

If any execution staff related to the Company violates the above-stated SOP or handling principles, he or she should follow the internal policy on performance review and reward/penalty.

Article 33 : The SOP, and any amendment thereto, should be put into force after approve by the BOD and Shareholders' Meeting, and submitted to each supervisor. If any director expresses objection with a record or written statement the Company should submit such objections to each supervisor.

When the Company has independent directors in place, the Company should consider each independent director's comment when submitting any application of acquiring and disposing assets to the BOD for discussion. In case of any objection or comment to put hold of the application, the meeting notes of the BOD should be noted.

When the Company has formulated the Audit Committee, any major transaction of assets or derivatives should receive approval from 50% of the Audit Committee and submit to the BOD for approval.

The afore-stated cases should obtain concurrence of 2/3 members from the BOD' directors if they do not receive the approval from 50% members in Audit Committee. And this situation, along with the resolution of Audit Committee, should be noted in meeting notes.

The afore-stated "Audit Committee members" and afore-stated "all

directors” refer to those who are currently performing their duties.

When the Company has Audit Committee in place, Paragraph 3 Article 14 in Securities and Exchange Act should be applicable to the supervisors in Audit Committee and Paragraph 3 Article 14-4 of Securities and Exchange Act should be applicable to the independent directors of Audit Committee.

Related party or subsidiary as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

For the calculation of 10 percent of total assets under these procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

The definitions of the procedures for domestic and overseas stock exchanges or OTC's business premises are as follows:

1. 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.

2. Over-the-counter venue ("OTC venue", "OTC"):

"Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.