

Shin Kong Financial Holding Co., Ltd.
Procedures Governing the Acquisition and Disposal of Assets

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Article 1

In order to reinforce the sound internal control and achieve timely information disclosure to the public, acquisition and disposal of assets of the Company shall follow this procedure.

Article 2

These Procedures are promulgated pursuant to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” of the Financial Supervisory Commission (hereinafter “FSC”).

Any matters not set forth herein shall be governed by “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

Article 3

The scope and amount of asset investment by the Company shall be in accordance with the Financial Holding Company Act and the related regulations. The applicable scope of assets referred to under these Procedures is as follows:

1. 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 equipment.
3. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
4. Right-of-use assets.

5. Derivatives.
6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares according to law.
7. Other major assets.

Article 4

Terms used in these Procedures are defined as follows:

1. “Derivatives”: means forward contracts, options contracts, futures contracts, leverage contracts and swap contracts whose value is derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, price or rate indices, credit rating or credit indices or other variables, combinations of the above contracts, or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. “Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares according to law”: means assets acquired or disposed of in connection with mergers, demergers, or acquisitions conducted under the Enterprise Merger Act, Financial Holding Company Act, Financial Institution Merger Act or other acts, or acquisition of shares in another company in consideration for issue of new shares in accordance with Article 156-3 of the Company Act (hereinafter “transfer of shares”).
3. “Related party, subsidiaries”: is as defined in Regulations Governing the Preparation of Financial Reports by Securities Issuer.
4. “Professional appraiser”: means a real property appraiser or other person duly authorized by law to engage in value appraisal of real property or equipment.
5. “Date of occurrence”: means the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided that where it is an investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. “Mainland area investment”: means investments conducted in China approved by the Ministry of Economic Affairs Investment Commission in accordance with the provisions of the “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area”.

7. "Total Assets": is calculated using the total assets from the most recent individual financial report, produced in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuer.
8. "Securities exchange": The 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.
9. "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.

Article 5

Investments by the Company in real property shall be limited to the purpose of self-use and prior approval from the competent authority shall be obtained. The total amount of investments in securities and the investment limit in individual securities shall follow the Financial Holding Company Act and related regulations.

The total amount of acquisition in real property which is not intended for business operation, the total amount of acquisition in securities, and the investment limit in individual securities by a subsidiary of the Company shall follow laws and regulations applicable to that subsidiary and the "Procedures Governing the Acquisition and Disposal of Assets" promulgated by that subsidiary.

Article 6

When the Company obtains appraisal reports or the opinions of certified public accountant, attorneys or underwriters, the professional appraisers and their appraisal personnel, certified public accounts, attorneys and securities underwriters shall meet the following requirements:

1. May not have previously received a final and unappealable sentence of imprisonment of one year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of the Republic of China, the Insurance Act, the Financial Holding Company Act or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents or criminal conduct during business operations. However, this provision does not apply if three years have passed since completion of service of the sentence, expiration of the period of a suspended sentence or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.

3. If the Company is required to obtain appraisal reports from two or two professional appraisers, the professional appraisers or appraisal personnel shall not be related parties or de facto related parties.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience and independence.
2. When examining a case, they shall properly plan and execute appropriate work procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The execution procedures, collected data and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy and reasonableness of the sources of data, parameters and information used, in order for such to be used as the basis for issuance of the appraisal report or 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 reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 7

Where the Company's acquisition or disposal of assets is subject to the approval of the board of directors under these Procedures or other laws or regulations, it shall be approved by more than half of all audit committee members, and then submitted to the board of directors for a resolution.

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

The terms "all audit committee members" in Paragraph 1 and "all directors" in the preceding paragraph shall be calculated based on the actual number of persons currently holding those positions.

Article 8

The Company's procedures for evaluating an acquisition or disposal of assets:

1. A long or short term investment under Article 3, Paragraph 1:

- (1) Investment analysis: market analysis, interest rate analysis, industrial analysis, management team of the invested company, financial structure analysis, profitability and forecast of business prospects.
- (2) Price determination: take into account the past and forecast the future earnings per share, capital cost and investment return analysis.
- (3) Where the transaction amount falls into Article 11, must request the accountant to provide an opinion regarding reasonableness of the transaction price.

2. Real property and equipment:

- (1) Investment analysis: market price investigation and analysis, cost and benefit analysis.
- (2) Price determination: consider market price or appraisal report from professional appraiser, capital cost and investment return analysis.
- (3) Where the transaction amount falls into Article 10, must require one, two or more professional appraisers to issue appraisal reports; where Article 10, Paragraph 1, Subparagraph 3 applies to the appraisal results, the Company shall also require the certifying accountant to issue a substantive opinion regarding the reasons for the discrepancy and appropriateness of the transaction price.

3. Derivatives:

- (1) Investment analysis: market analysis, credit analysis regarding transaction counterparts, liquidity of hedging tools, positions to be hedged, hedging deadlines and hedging cost analysis.
- (2) Price determination: consider market prices, capital cost of the Company, and hedging benefit analysis.

4. Assets acquired or being disposed of in connection with a merger, demerger, acquisition or transfer of shares according to law:

- (1) Investment analysis: market analysis, industrial analysis; operating team, profitability, forecasted business prospects and investment return analysis of the companies participating in the merger, demerger, acquisition or transfer of shares.
- (2) Price determination: take into account the past and forecast future earnings per share, net value per share, market price, intangible assets, capital cost, investment return analysis; and require an accountant, attorney or underwriter to express an opinion regarding the reasonableness of the transaction pursuant to Article 23, to be submitted to the board of directors for discussion and approval.

5. Intangible assets and other important assets:

- (1) Investment analysis: market analysis and investment return analysis based on characteristics of the different assets.

(2) Price determination: take into account market prices and investment return analysis; where it involves the acquisition or disposal of memberships or a transaction in intangible assets, and the amount reaches 20% of paid-in capital of the Company or more than NT\$300 million, except for dealing with domestic governmental organizations, must request an accountant to express an opinion regarding reasonableness of the transaction price before the day of the occurrence, and the accountant shall proceed in accordance with the Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation of the Republic of China (ARDF).

Article 9

The authorized amounts, level of authority, implementation departments and transaction procedures regarding the acquisition or disposal of assets by the Company shall be in accordance with the following:

1. Long or short term investment in Article 3, Paragraph 1: the relevant department shall prepare the analysis report, and then proceed in accordance with the Company's "Powers and Responsibilities" regulations regarding authorization levels or submit the matter for discussion by the board of directors.
2. Real property and equipment: the relevant department shall prepare the analysis report, and then proceed in accordance with the Company's "Powers and Responsibilities" regulations regarding authorization levels or submit the matter for discussion by the board of directors; where it involves the acquisition or disposal of real property from or to a related party, must also proceed in accordance with Articles 14 to 18 of these Procedures.
3. Derivatives: The relevant department shall proceed in accordance with Articles 19 to 22 of these Procedures and the Company's "Powers and Responsibilities" regulations regarding authorization levels.
4. Assets acquired or disposed of in connection with a merger, demerger, acquisition or transfer of shares according to law: the relevant department shall proceed or report in accordance with Articles 23 to 30 of these Procedures and the Company's "Powers and Responsibilities" regulations regarding authorization levels.
5. Intangible assets and other important assets: the relevant department shall prepare an analysis report, and then proceed or report in accordance with the Company's "Powers and Responsibilities" regulations or other regulations regarding authorization levels.

Material transaction of asset or derivatives of the Company shall be agreed by more than half of the Audit Committee members and proposed for resolution by the Board of Directors. Article 7, Paragraphs 2 and 3 shall apply mutatis mutandis.

Article 10

In acquiring or disposing of real property, equipment or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business-use equipment or right-of-use assets thereof, shall obtain an appraisal report from a professional appraiser before the date of occurrence of the fact and shall comply with the following provisions:

1. Where, due to special circumstances, it is necessary to give a limited price, specified price or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same applies for whenever there are subsequent changes 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. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price, except where the appraisal results for acquisition of assets are all higher than the transaction price, or where the appraisal results for disposal of assets are all lower than the transaction price:
 - (1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
4. No more than three (3) months may pass between the date of the appraisal report issued by the professional appraiser and the contract formation date; provided, where the publicly announced current value for the same period is used and not more than six (6) months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 11

In acquiring or disposing of securities, the Company shall obtain the most recent accountant audited and certified or reviewed financial statements of the subject company before the date of occurrence of the fact as basis for evaluating the transaction price. Further, where the transaction amount reaches 20% of more of

paid-in capital of the Company or NT\$300 million or more, the Company shall engage an accountant to render an opinion on the reasonableness of the transaction price before the date of occurrence of the fact. Where it is necessary for the accountant to adopt an expert opinion, he/she shall proceed in accordance with the Statement of Auditing Standards No. 20 issued by the ARDF. This requirement does not apply to publicly quoted prices of securities that have an active market, or where the FSC requires otherwise.

The following securities are exempt from requiring an accountant to render an opinion on the reasonableness of the transaction price:

1. Securities that are acquired by virtue of cash investment in connection with an incorporation by promotion or by offer pursuant to law and the rights represented by acquired securities are proportional to the capital contribution.
2. Securities that are issued at face value for participating in a cash capital increase conducted in accordance with relevant laws and regulations by the subject company.
3. Securities that are issued for participating in a cash capital increase conducted by an 100% directly or indirectly held investment company.
4. Trading of listed securities, OTC securities or emerging stocks on an exchange market or securities broker.
5. Trading of domestic government bonds, bonds with repurchase/resale conditions.
6. Public funds.
7. The acquisition or disposal of stocks in a company listed on the Taiwan Stock Exchange Corporation or Taipei Exchange, pursuant to the Listed (OTC) Securities Tender Regulations or Auction Regulations of the Taiwan Stock Exchange Corporation or Taipei Exchange.
8. Securities that are acquired through participating in the capital increase subscription of a domestic public company or through subscription of domestic corporate bonds (including bank debentures), and such acquired securities are not acquired from private placement.
9. Other securities that have been determined by the competent authority as being exempt from the preceding paragraph.

Article 12

Calculation of the transaction amounts referred to in the preceding two Articles shall be in accordance with the provisions in Article 31, Paragraph 2. Further, the reference to “within one (1) year” is based on the date of the occurrence of the instant transaction fact, calculating retrospectively by one year. Amounts that have been subject to a professional appraisal report issued by a professional appraiser or an accountant’s opinion under these Procedures need not be included in the calculations.

Article 13

When the Company acquires or disposes assets through auction by the court, the documents issued by the court shall substitute the appraisal report or the certified accountant's opinion.

Article 14

Where the Company acquires or disposes of assets from or to a related party, it must comply with the relevant approval procedures and evaluate the reasonableness of transaction terms in accordance with Article 7, Articles 10 to 13 and Articles 14 to 18. Further, where the transaction amount is 10% or more of total assets of the Company, an appraisal report issued by a professional appraiser or the accountant's opinion must also be obtained pursuant to Articles 10 to 13.

Calculation of the transaction amount referred to in the preceding paragraph shall be in accordance with Article 12.

In determining whether a transaction counterpart is a related party, the Company shall take note of the legal form as well as the substantive relationship.

Article 15

Where the Company acquires or disposes of real property or rights-of-use thereof from or to a related party, or acquires or disposes of any other asset other than real property or rights-of-use thereof from or to a related party, and where the transaction amount reaches 20% of paid-in capital of the Company, 10% of total assets of the Company, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or buy back the domestic money market funds issued by securities investment trust enterprises, must first submit the following information for approval by more than half of the Audit Committee members and the approval by the board of directors, applying subparagraph 2 and 3 of Article 7 *mutatis mutandis*, before the Company may execute the transaction contract and make the relevant payment:

1. The purpose, necessity and expected benefits for acquisition or disposal of assets.
2. The reasons for selecting the related party as the transaction counterpart.
3. Relevant information regarding the evaluation of reasonableness of the proposed transaction terms for acquisition of real property or rights-of-use thereof from the related party, pursuant to Articles 16 and 17.
4. The date and price, and transaction counterpart for original acquisition by the related party, and the relationship of such transaction counterpart with the related party and the Company.
5. Forecast of monthly cashflows for the year following the expected contracting month, and evaluate the necessity of the transaction as well as reasonableness of the use of funds.
6. The appraisal report from a professional appraiser, or an accountant's opinion, obtained in accordance with the preceding Article.

7. The restrictive terms and other important contract provisions in the instant transaction.

Calculation of the transaction amounts referred to in the preceding paragraph shall be in accordance with the provisions in Article 31, Paragraph 2. Further, the reference to “within one (1) year” is based on the date of the occurrence of the instant transaction fact, calculating retrospectively by one year. Amounts that have been approved by more than half of the Audit Committee members and approved by the board of directors need not be included in the calculations.

Where the Company and its subsidiaries engage in the following transactions, the board of directors may authorize the Chairman to directly proceed for transactions no more than NT\$300 million in pursuant to Article 9, and then submit the matter for retroactive approval by the most recent board of directors meeting:

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

Article 16

The Company, when acquiring real property or rights-of-use thereof from a related party, shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party’s transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. “Necessary interest on funding” is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have elapsed for 1 year or longer. However, the proceeding shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Company, when acquiring real property or rights-of-use thereof from a related party, and appraising the cost of the real property or rights-of-use thereof in accordance with the preceding two paragraphs, shall also engage an accountant to check the appraisal and render a specific opinion.

When the Company acquires real property or rights-of-use thereof from a related party, where one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article and the preceding three paragraphs do not apply:

1. The related party acquired the real property or rights-of-use thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or rights-of-use thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. Acquisition of real property right-of-use assets held for business use between the Company and its subsidiaries

Article 17

When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 18. 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 an accountant have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) The sum of values of the undeveloped land, which value is appraised in accordance with the methods in the preceding Article, and structures, which value is appraised according to the related party's construction cost plus reasonable construction profit, are in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where

transaction terms are similar after assessing for reasonable price discrepancies due to floor or location price discrepancies in accordance with the market practices of real property sales or leasing.

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

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 by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or rights-of-use thereof.

Article 18

Where the Company acquires real property or rights-of-use thereof from a related party, and the evaluation results conducted in accordance with the preceding two articles are all lower than the transaction price, the Company shall carry out the following:

1. It shall set aside a special reserve for the differential between the real property or rights-of-use thereof transaction price and the evaluated cost, pursuant to Article 41, Paragraph 1 of the Securities Transaction Act, and may not distribute the differential or convert it into a capital increase or distribution of shares. Investors that are public issuing companies and that evaluate the investment in the Company by the equity method shall also set aside a special reserve pro rata in a proportion consistent to shareholding, in accordance with the provisions in Article 41, Paragraph 1 of the Securities Transaction Act.
2. The Independent Directors of the Audit Committee shall comply with Article 218 of the Company Act.
3. The status of compliance with the preceding two subparagraphs shall be reported to the shareholders' meeting, and details of the transaction shall be disclosed in the annual report and prospectus.

Where the Company has already set aside a special reserve in accordance with the preceding paragraph, it may utilize such special reserve only when a loss on depreciation has been recognized in respect of the asset purchased or leased at the high price, or the asset has been disposed of or the lease terminated, or the appropriate compensation has been made or has been reinstated, or there is any other evidence to show that the price is not unreasonable, and approval from the FSC has been obtained.

Where the Company acquires real property or rights-of-use thereof from a related party and there is any other evidence showing that the transaction is inconsistent with transactions at arm's length, the preceding two subparagraphs shall also apply.

Article 19

Transaction principles and guidelines for the Company's conduct of derivatives transactions shall be as follows:

1. Legal compliance: The Company must comply with the relevant laws and regulations in conducting derivatives transactions.
2. Transaction types: The Company may engage in transactions in derivatives items only with the approval of the board of directors; however, items that are not for hedging purposes may not be conducted.
3. Hedging strategy: The Company may only engage in derivatives transactions for the purpose of hedging risks of losses that may occur in respect of substantive assets.
4. The division of powers and responsibilities in respect of the Company's conduct of derivatives transactions shall be as follows, and personnel from different departments may not serve in concurrent positions:
 - (1) Transaction department: evaluation of transaction counterparts, execution of transaction, confirmation of transaction and evaluation of performance.
 - (2) Settlement department: preservation of transaction contracts and transaction vouchers, settlement procedures, public announcements and declaration matters.
 - (3) Cashier department: payments and receipts.
 - (4) Accounting department: handling of accounts.
 - (5) Risk management department: risk evaluation.
 - (6) Auditing department: appropriateness of internal control system, and degree of conformity with procedures.
5. Guidelines for evaluation of performance: evaluate whether the timing, price and position of the transaction are appropriate, and evaluation must take into account the performance on the substantive asset position.
6. Total amount of transaction contracts: not exceeding 100% of market value of the substantive assets being hedged.
7. Maximum amount of losses on total and individual contracts: the maximum amount of losses on total or individual contracts is 3% of shareholders equity.

Where the Company conducts a derivatives transaction via an authorized delegated personnel in accordance with the relevant regulations, it shall report the relevant details of the derivatives transaction to the board of directors of their most recent meeting after the event.

Article 20

Transaction principles and guidelines for the Company's conduct of derivatives transactions shall be as follows:

1. The scope of risk management includes management of credit, market prices, liquidity, cash flow, procedures and legal risks.
2. Operating personnel engaging in trading, confirmation and settlement of derivatives may not serve in concurrent posts.
3. Personnel responsible for evaluation, monitoring and control of risks should be in a different department to the preceding subparagraph personnel, and shall report to the board of directors or to high level supervisory personnel (Chief Risk Control Officer) not responsible for trading or accountability for position decisions.
4. Derivatives positions held shall be evaluated at least once a week, provided that hedging transactions required for business shall be evaluated at least twice every month. The evaluation reports shall be submitted to the high level supervisory personnel authorized by the board of directors (president or senior vice president of the trading department).
5. The risk management department shall prepare a risk evaluation report every quarter and submit the report to the board of directors, or report to the president.

Where legal matters are involved, the personnel shall consult the legal department of the Company or external legal consultants.

Article 21

With regards to the Company's conduct of derivatives transactions, it shall be supervised and managed in accordance with the following principles:

1. The high level supervisory personnel designated by the board of directors (president, senior vice president of the trading department and chief risk control officer) shall monitor and control risks in derivatives transactions at all times.
2. The board of directors shall regularly evaluate whether outcome of derivatives transactions are consistent with the existing business strategies, and whether the risk exposure is within the scope of acceptability to the Company.

The high level supervisory personnel authorized by the board of directors (president and chief risk control officer) shall manage derivatives transactions in accordance with the following principles:

1. Regularly evaluate whether the risk management measures currently being used are appropriate, and faithfully comply with these Procedures.
2. Monitor transactions, gains and losses. Where any irregularity is found, the necessary responsive measures shall be adopted and shall be immediately reported

to the board of directors. The board of directors meeting shall be attended by independent directors, who shall provide their opinions.

Article 22

The Company, when engaging in derivatives trading, shall establish a log book to record in detail the types and amounts of derivatives trading engaged in, date of approval by the Board of Directors, and matters as required to be carefully evaluated under Subparagraph 4 of Article 20 and Subparagraph 2 of Paragraph 1 and Subparagraph 1 of Paragraph 2 of the preceding article.

The Company's auditing personnel shall regularly ascertain the appropriateness of internal controls for derivatives transactions, and shall audit the trading department's compliance with these Procedures on a monthly basis. They shall prepare an audit report, and shall notify the Audit Committee in writing in the event that any serious violation is found.

Article 23

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

Article 24

The Company, when participating in a merger, demerger, or acquisition, shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include the expert opinion referred to in paragraph 1 of the preceding Article when sending notification of the shareholders' meeting for shareholders' reference in deciding whether to approve the merger, demerger, or acquisition. Where a provision of another Act exempts the Company from convening a shareholders' meeting to resolve the merger, demerger, or acquisition, this paragraph shall not apply.

Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders' meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

Article 25

Where the Company participates in a merger, demerger or acquisition, it shall convene a board of directors meeting and shareholders' meeting on the same day to resolve upon matters relating to the merger, demerger or acquisition, unless the law provides otherwise or where FSC's approval has been obtained in advance due to special circumstances.

Where the Company participates in transfer of shares, it shall convene a board of directors meeting on the same day unless the law provides otherwise or where FSC's approval has been obtained in advance due to special circumstances.

Where the Company participates in a merger, demerger, acquisition or transfer of shares, it shall prepare a full documentary record of the following information and preserve such record for five (5) years in readiness for audit:

1. Basic information of personnel: including all personnel involved in the merger, demerger, acquisition or transfer of shares plan or implementation of the plan before public disclosure of the event, and the positions, names and personal ID numbers (passport numbers if foreign national) of such personnel.
2. Important events and dates: including execution of memorandums of intent or understanding, appointing financial or legal consultants, execution of contracts, and board of director meeting dates.
3. Important documents and meeting minutes: including such documents as the merger, demerger, acquisition or transfer of shares plan, memorandums of intent or understanding, important contracts and minutes of board of directors meetings.

Where the Company participates in a merger, demerger, acquisition or transfer of shares, it shall declare the information described in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation via the Online Information System in the prescribed format within two (2) days commencing immediately from the date of passing of the board of directors resolution.

Where the Company participates in a merger, demerger, acquisition or transfer of shares of stocks that are not publicly listed or traded by a stockbroker, the Company shall execute an agreement with such party and proceed with the preceding two paragraphs.

Article 26

Each and every person participating in or privy to a plan for merger, demerger or acquisition, or for a transfer of shares, shall surrender a letter undertaking of confidentiality and shall not disclose the content of the plan prior to public disclosure of the information and shall not trade, in their own name or under the name of another person, in any stock or other equity security of the companies participating in the merger, demerger, acquisition, or transfer of shares.

Article 27

The Companies, when participating in a merger, demerger, acquisition, or transfer of shares, shall 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 share dividend, 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 financials and business.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment made by any of the companies participating in the merger, demerger, acquisition, or transfer of shares when buying back stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 28

The Company shall stipulate the rights and obligations of participating in the merger, demerger, acquisition, or transfer of shares in the contract, 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 the company to be merged or demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Project timeline, and the estimated deadline.

Scheduled date for convening the shareholders' meeting as required by laws and regulations, if the project is not completed before deadline, and relevant procedures thereof.

Article 29

Where the Company and any other party participating in a merger, demerger, acquisition or transfer of shares proposes to engage in a merger, demerger, acquisition or transfer of shares with any other company after public disclosure of the information, any procedures or legal acts already completed in respect of the original merger, demerger, acquisition or transfer of shares proposal must be carried out again by all participating companies, except where the participating companies may be exempt from re-convening a shareholders' meeting for a new resolution where it involves a

reduction in the number of participants and where the shareholders' meeting has already resolved upon and authorized the board of directors to make changes.

Article 30

Where target company in a merger, demerger, acquisition or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Articles 25, Article 26 and the preceding article.

Article 31

Where any of following applies to an acquisition or disposal of assets by the Company, the responsible department shall submit the relevant information to the designated website of the FSC for public announcement and declaration within two (2) days commencing immediately from the date of occurrence of the fact, in the prescribed format depending on its nature:

1. Acquiring or disposing of real property or rights-of-use thereof from or to a related party, or acquiring or disposing of any other asset other than real property or rights-of-use thereof from or to a related party, with the transaction amount reaching 20% of paid-in capital of the Company, 10% of total assets of the Company, or NT\$300 million or above. This does not apply to a sale or purchase of domestic government bonds, bonds with repurchase/resale conditions or subscription or buy back the domestic money market funds issued by securities investment trust enterprises.
2. Conducting a merger, demerger, acquisition or transfer of shares.
3. The losses on total or individual contracts are more than 3% of shareholders equity when trading in derivatives.
4. The acquired or disposed business-use equipment or rights-of-use thereof, the transaction counterpart is not a related party, and the transaction amount reaches NT\$1 billion.
5. Acquiring real property by engaging others to build on its own land, engaging others to build on rented land, co-building for a share of the premises, co-building for a share of the profits or co-building for separate sale, where the transaction counterpart is not a related party and the transaction amount proposed to be committed by the Company reaches NT\$500 million.
6. Asset transactions other than described in the preceding five subparagraphs, disposal of a claim by a financial institution or engagement in a Mainland China investment, with transaction amount reaching 20% of paid-in capital of the Company or NT\$300 million or more, except in the following circumstances:
 - (1) Sale and purchase of domestic government bonds.

- (2) Sale and purchase of securities on a stock exchange or stockbroker or subscription of ordinary corporate bonds and general financial debentures that do not involve shareholding rights (excluding subordinated debt) offered and issued in the primary market.
- (3) Sale and purchase of bonds with repurchase or resale conditions or subscription or buy back the domestic money market funds issued by securities investment trust enterprises.

The transaction amounts in the preceding paragraph are calculated in the following manner:

1. Transaction amount on each transaction.
2. Cumulative amounts of transactions with the same counterparty for acquiring or disposing of subject matter of the same nature within one year (does not apply to acquiring or disposing of different publically offered funds with the same financial institution).
3. Cumulative amounts of acquisition or disposal of real property or rights-of-use thereof under the same development plan (amounts from acquisition and disposal to be aggregated separately) within one year.
4. Cumulative amounts of the same security acquired or disposed of within one year (amounts from acquisition and disposal to be aggregated separately).

“Within one year” as referred to in the preceding paragraph is based on the date of the occurrence of the instant transaction fact, calculating retrospectively by one year. Amounts that have already been publicly announced in accordance with these Procedures need not be included in the calculations.

The Company shall enter the status of derivatives transactions conducted up to the end of the preceding month by the Company and by subsidiaries that are not domestic public issuing companies into the information declaration website designated by the FSC on a monthly basis, in the prescribed format before the tenth (10th) day of each month.

Where the Company is required to publicly announce an item, but there is any error or omission during the public announcement that must be corrected, all of the items shall be subject to re-announcement and declaration within two days from the date of knowledge of such error or omission.

When acquiring or disposing of assets, the Company shall preserve the relevant contracts, minutes of meetings, registers, appraisal reports, and opinions from accountants, attorneys or securities underwriters on Company premises. Unless otherwise required by law, such records shall be preserved for at least five (5) years.

Article 32

Where any of the following occurs after the Company publicly announces and declares a transaction pursuant to the preceding Article, it shall enter the relevant information into the website designated by the FSC for public announcement and

declaration within two (2) days commencing immediately from the date of occurrence of the fact:

1. The originally executed transaction contracts are amended, terminated or rescinded.
2. The merger, demerger, acquisition or transfer of shares is not completed in accordance with the scheduled date in the contract.
3. There is a change in the contents of the original public announcement and declaration.

Article 33

When the acquisition and disposal of assets by the Company meets the criteria set in the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities”, the Company shall make public disclosure of material information pursuant to that procedure.

Article 34

Acquisition or disposal of assets by subsidiaries of the Company shall be in accordance with the business powers and responsibilities of each subsidiary.

The Company’s control and management procedures in respect of acquisition or disposal of assets by its subsidiaries shall at least include the following:

1. Supervise the subsidiary to issue and implement procedures for acquisition or disposal of assets in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.
2. Supervise the subsidiary to conduct self-checks of whether the procedures for acquisition or disposal of assets by public companies issued by such subsidiary are consistent with the Regulations, and whether the transactions for acquisition or disposal of assets are carried out in accordance with the issued procedures.
3. The internal audit shall respond to the self-check reports and other relevant matters submitted by the subsidiaries.
4. Handling public announcements and declarations on behalf of subsidiaries that are not domestic public issuing companies.

Subsidiaries referred to in Subparagraph 4 of the preceding paragraph shall apply the regulation in Article 31, Paragraph 1 concerning public announcement reporting standards relating to paid-in capital or total assets, which shall be calculated by paid-in capital or total assets of the Company as the standard.

Article 35

Employees will be disciplined in according with the Work Rules of the Company for violation to this procedure.

Article 36

The amendment to the procedure should be approved by more than half of the entire Audit Committee members, and subsequently approved by the Board of Directors, distributed to the Audit Committee, and become effective after adoption in the shareholders' meeting; same procedure applies for subsequent amendment.

If less than half of the Audit Committee members approve the amendment in the preceding paragraph, Article 7, Paragraphs 2 and 3 shall apply *mutatis mutandis*.