

Emerging Display Technologies Corp.

Regulations Governing the Acquisition and Disposal of Assets

Article 1

The company adopts the Regulations Governing the Acquisition and Disposal of Assets (hereinafter “these Regulations”) to secure assets and implement information disclosure.

Article 2

These Regulations are adopted in accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and relevant laws.

Article 3

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

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

Article 4

Terms used in these Regulations are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the Company Act.

3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
8. 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.
9. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 5

Investment quota of real property and right-of-use assets thereof that is not for business use and securities:

1. Total amounts of real property and right-of-use assets thereof that is not for business use shall not exceed 50 percent of equities.
2. Total amounts of securities shall not exceed 100 percent of equities.
3. The amount of individual securities shall not exceed 25 percent of equities.

Article 6

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

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

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

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 7

The procedures of acquisition or disposal of real property, equipment, or right-of-use assets thereof:

1. Appraising and operating procedures: The company shall follow internal control procedure – property, plant and equipment cycle to acquire or dispose real property, equipment, or right-of-use assets thereof.
2. Determination process of the transaction terms and the degree of authority delegated:
 - A. For acquisition or disposal of real property, the company shall refer to publicly announced current value, assessed value or actual transaction price of real property nearby to determine trade terms and price then report to chairman. The transaction shall be approved following the authority regulation where its amount reaches NT\$100 million or less, otherwise the transaction shall be additionally submitted for approval in advance by the board of directors.

- B. For acquisition or disposal of equipment or right-of-use assets thereof, the company shall perform one of price inquiry, price comparison, price bargain or tender. The transaction shall be approved following the authority regulation where its amount reaches NT\$100 million or less, otherwise the transaction shall be additionally submitted for approval in advance by the board of directors.
- C. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 18, paragraphs 4 and paragraphs 5.
3. The units responsible for implementation: The transaction shall be implemented by using department and administration department after approval.
4. Appraisal report: In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
- A. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- B. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- C. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
- a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
- b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- D. 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.

- E. Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- F. The calculation of the transaction amounts referred to in this article shall be done in accordance with Article 14, paragraph 1, subparagraph H herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA’s opinion has been obtained need not be counted toward the transaction amount.

Article 8

The procedures of acquisition or disposal of securities:

1. Appraising and operating procedures: The company shall follow internal control procedure – investment cycle to acquire or dispose securities.
2. Determination process of the transaction terms and the degree of authority delegated:
 - A. For acquisition or disposal of securities on the Taiwan Stock Exchange (TWSE) or on the GreTai Securities Market (GTSM), the company shall analyze and make decision based on the market status by responsible units. The transaction shall be approved following the authority regulation where its amount reaches NT\$100 million or less, otherwise the transaction shall be additionally submitted for approval in advance by the board of directors.
 - B. For acquisition or disposal of securities bypassing the Taiwan Stock Exchange (TWSE) or on the GreTai Securities Market (GTSM), the company shall consider the book value per share, profitability, future development potential and so on. The transaction shall be approved following the authority regulation where its amount reaches NT\$100 million or less, otherwise the transaction shall be additionally submitted for approval in advance by the board of directors.
 - C. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director’s opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 18, paragraphs 4 and paragraphs 5.
3. The units responsible for implementation: The transaction shall be implemented by finance department after approval.
4. Appraisal of transaction price: The company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company’s paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or any of the following items provided by regulations of the Financial Supervisory Commission (FSC).

- A. Securities acquired through cash contribution in an incorporation by promotion or by public offering in accordance with laws, and the rights represented by those securities equal the percentage of contribution.
- B. Securities issued at face value by an issuing company carrying out a cash capital increase in accordance with relevant laws and regulations, with the company as a sponsor of the issue.
- C. Securities issued by an investee company in which the company directly or indirectly holds 100 percent that is carrying out a cash capital increase, with the company as a sponsor of the issue. Or subsidiaries in which the company holds 100 percent that is carrying out a cash capital increase, with another 100 percent held subsidiaries as a sponsor of the issue.
- D. Securities listed and traded on the TWSE or on the GTSM and emerging stocks.
- E. Domestic government bonds or bonds in repurchase or reverse purchase agreements.
- F. Public placement funds.
- G. TWSE or GTSM listed securities acquired or disposed of in accordance with the TWSE or GTSM rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.
- H. Securities acquired through the company's sponsorship of a cash capital increase by a domestic public company, or subscription of domestic corporate bonds (include financial bonds), when the securities acquired are not privately placed.
- I. Subscription to domestic private placement funds before the establishment of a fund in accordance with Article 11, paragraph 1 of the Securities Investment Trust and Consulting Act, or subscription or redemption of domestic private placement funds, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.
- J. Subscription or redemption of domestic private placement funds, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.

The calculation of the transaction amounts referred to in this article shall be done in accordance with Article 14, paragraph 1, subparagraph H herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 9

The procedures of related party transactions:

1. When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 7, 8, 10 and this article. The calculation of the transaction amounts referred to in this article shall be done in accordance with Article 14, paragraph 1, subparagraph H herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
2. Appraising and operating procedures: When a public company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors:
 - A. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - B. The reason for choosing the related party as a trading counterparty.
 - C. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with paragraph 3, subparagraph A to subparagraph D.
 - D. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
 - E. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
 - F. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding paragraph.
 - G. Restrictive covenants and other important stipulations associated with the transaction.

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

The calculation of the transaction amounts referred to in this article shall be done in accordance with Article 14, paragraph 1, subparagraph H herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders' meeting or board of directors need not be counted toward the transaction amount. With respect to the types of transactions listed below, when to be conducted between the company and subsidiaries, or between the subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

A. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

B. Acquisition or disposal of real property right-of-use assets held for business use. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 18, paragraphs 4 and paragraphs 5.

3. Evaluating the reasonableness of the transaction costs:

A. The company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

a. 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.

b. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

- B. 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 subparagraph A.
- C. The company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with subparagraph A and subparagraph B shall also engage a CPA to check the appraisal and render a specific opinion.
- D. When the results of the company's appraisal conducted in accordance with subparagraph A and subparagraph B are uniformly lower than the transaction price, the matter shall be handled in compliance with subparagraph E. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
- a. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
- Where undeveloped land is appraised in accordance with the means in subparagraph A to subparagraph C, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- b. Where the company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

- E. Where the company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with subparagraph A to subparagraph D are uniformly lower than the transaction price, the following steps shall be taken. The company and a public company uses the equity method to account for its investment in the company that has set aside a special reserve under the following description may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- a. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between transaction price of the real property or right-of-use assets thereof and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in the company, then the special reserve called for under Article 41, paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the company.
 - b. The independent director members of the audit committee shall comply with Article 218 of the Company Act.
 - c. Actions taken pursuant to a. and b. of subparagraph E shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- F. Where the company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with paragraph 1 and paragraph 2, but shall not apply paragraph 3, subparagraph A to subparagraph C:
- a. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
 - b. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
 - c. 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.
 - d. The real property right-of-use assets for business use are acquired by the company with subsidiaries, or by subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- G. When the company obtains real property or right-of-use assets thereof from a related party, it shall also comply with paragraph 3, subparagraph E if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 10

The procedures of acquisition or disposal of intangible assets or right-of-use assets thereof or memberships:

1. Appraising and operating procedures: The company shall follow internal control procedure – purchase and payment cycle or investment cycle to acquire or dispose intangible assets or right-of-use assets thereof or memberships.
2. Determination process of the transaction terms and the degree of authority delegated:
 - A. For acquisition or disposal of memberships, the company shall refer to fair value to determine transaction terms and transaction price then make the analysis report. The transaction shall be approved following the authority regulation where its amount reaches NT\$100 million or less, otherwise the transaction shall be additionally submitted for approval in advance by the board of directors.
 - B. For acquisition or disposal of intangible assets or right-of-use assets thereof, the company shall refer to fair value or appraisal report issued by a specialist to determine transaction terms and transaction price then make the analysis report. The transaction shall be approved following the authority regulation where its amount reaches NT\$100 million or less, otherwise the transaction shall be additionally submitted for approval in advance by the board of directors.
 - C. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 18, paragraphs 4 and paragraphs 5.
3. The units responsible for implementation: The transaction shall be implemented by using department and finance department or administration department after approval.
4. Appraisal report:
 - A. Where the company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.
 - B. The calculation of the transaction amounts referred to in this article shall be done in accordance with Article 14, paragraph 1, subparagraph H herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 11

In principle, the company shall not acquire or dispose of claims of financial institutions. The company will submit to the board of directors for a resolution then adopt the appraising and operating procedures if the company starts to implement these transactions in the future.

Article 12

The procedures of acquisition or disposal of derivatives:

1. Trading principles and strategies:

- A. The types of derivatives that may be traded: The company may engage in forward contracts, options contracts, swap contracts of interest rates or foreign exchange rates, compound contracts combining the above products and so on.
- B. Operating (hedging) strategy: The purpose of the company engages in derivatives trading is for hedging or for non-hedging (i.e. trading). The main strategy shall be to choose those derivatives that can avoid risk of revenue, expenses, assets or liabilities in foreign currency bringing from the company's business so as to avoid operation risk. The company may engage in non-hedging transactions in an appropriate timing to expect to increase non-operating revenue or decrease non-operating expenses in case of changing circumstances. The transactions shall be defined as for hedging or financial measures to pursue investment revenue in advance for the sake of accounting.
- C. Segregation of duties: The derivatives trading shall be appraised and judged by persons who quite know the content of every derivative and determined by authorized director and chairman in coordination with the actual need for operation.
- D. Essentials of performance evaluation: The assigned persons shall evaluate and review operating performance periodically to prepare a written evaluation report then submit it to authorized director and chairman.
- E. Total amount of derivatives contracts that may be traded: Total amount of remaining derivatives contracts shall not exceed 30 percent of the company's total assets.
- F. The maximum loss limit on total trading and for individual contracts: The maximum loss on the amount of remaining derivatives is 10 percent of the amount of derivatives contracts, and the limit applies single trading and total trading.

2. Operating procedures:

- A. Finance department that is responsible for derivatives trading shall fill out and submit "Suggestion Form for Derivatives Trading" to chairman for approval, then report to the soonest meeting of the board of directors.
- B. The dealers shall deliver trading documents or contracts to accounting for recording.
- C. The accounting shall check in time if total amount of remaining derivatives contracts exceed total amount of derivatives contracts that may be traded prescribed in these Regulations.

- D. Each transaction shall be listed type, amount, exchange rate, counterparty, expiry date and so on by items then submit to director of finance department for review.
 - E. Finance department shall establish a log book including the following details:
 - a. The types and amounts of derivatives trading engaged in, and board of directors approval dates.
 - b. Periodical evaluation report of derivatives trading positions held.
 - c. Whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
 - d. Whether the risk management measures currently employed are appropriate and are faithfully conducted in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and these Regulations.
 - F. The dealers shall evaluate trading performance according to prices of every derivatives trading and exchange rate provided by banks in time, and submit to director of finance department for review; also, quarterly evaluate trading performance according to fair value to disclose in the financial statements.
3. Accounting policy: The accounting policy of derivatives trading is in accordance with International Financial Reporting Standards (IFRS) and relevant laws to fairly present trading process and economical effect by complete accounting books, documents and records.
4. Risk management measures:
- A. The scope of risk management:
 - a. Credit risk: Credit risk shall be controlled by restricting the counterparties that the company deals with to those who have banking relationship with the company and can provide sufficient information.
 - b. Market price risk: Due to the uncertain losses from market price fluctuation of derivatives in the future, the company shall continuously review positions held and report to authorized personnel if the losses exceed the stop loss point.
 - c. Liquidity risk: Liquidity risk shall be controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.
 - d. Operating risk: Delegation systems and operating procedures set forth herein are employed to control operating risk.
 - e. Legal risk: Any trading documents shall be reviewed by director of finance department then submitted to general manager and chairman for approval to control legal risk.
 - f. Cash flow risk: Finance department shall strictly follow the delegation systems and pay attention to cash flows of the company to meet the cash settlement requirement.
 - B. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
 - C. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.

- D. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to chairman authorized by the board of directors.
5. Internal audit system:
- A. The purpose of internal audit: Internal audit is to assist the director of each unit to understand the effectiveness of their subordinate, to check if all operations are in accordance with relevant laws and the company's internal regulations, and to provide suggestions for improvements so as to enhance management performance.
- B. Duties of internal auditor:
- Operational audit on a regular basis.
 - Examination for unusual changes and particular situations on an irregular basis.
 - Evaluating internal management control procedures.
 - Confirmation of acquiring proper accounting records.
 - Understanding of the operation efficiency of each unit.
 - Submitting relevant reports and suggestions.
- C. Monthly audit for derivatives trading:
- Management of opening new account and accounts in existence.
 - Trading cycle.
 - Management of cash deposit.
 - Management of settlement.
 - Management of computer operation and information.
 - Operation of accounting.
 - Operation of finance and cashier.
- D. Implementation of internal audit:
- Internal auditor shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all audit committee members shall be notified in writing.
 - Filing a report on the implementation of audit mentioned in a. within two months from the end of each fiscal year.
 - Filing a report on the status of corrections of any irregularities mentioned in a. within five months from the end of each fiscal year.
6. Regular evaluation methods and the handling of irregular circumstances:
- A. The director of finance department shall pay continuous attention to monitoring and controlling derivatives trading risk, and periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- B. The director of finance department shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and these Regulations.

- C. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, the director of finance department shall adopt appropriate measures and make a report immediately to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

Article 13

The procedures of conducting a merger, demerger, acquisition, or transfer of shares:

1. Appraising and operating procedures:

- A. The company that conducts a merger, demerger, acquisition, or transfer of shares, may engage a CPA, attorney, or securities underwriter to discuss statutory schedule together and organize a project team to follow statutory procedures. Prior to convening the board of directors to resolve on the matter, the company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the company of a subsidiary in which it directly or indirectly holds 100 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.
- B. The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in subparagraph A when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

2. Other requirements:

- A. A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in

advance of extraordinary circumstances and grants consent. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

- a. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- b. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
- c. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in a. and b. of this subparagraph to the FSC for recordation. Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company, prepare and retain full record, and report the information to the FSC for recordation in accordance with preceding requirements.

- B. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- C. Prior to convening the board of directors to resolve on the matter, the companies participating in a merger, demerger, acquisition, or transfer of shares shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. Moreover, they may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
 - a. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

- b. An action, such as a disposal of major assets that affects the company's financial operations.
 - c. An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
 - d. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 - e. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - f. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- D. The contract for participation by a public company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
- a. Handling of breach of contract.
 - b. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - c. 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.
 - d. The manner of handling changes in the number of participating entities or companies.
 - e. Preliminary progress schedule for plan execution, and anticipated completion date.
 - f. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- E. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- F. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of subparagraph A, subparagraph B, and subparagraph E.

Article 14

The procedures of public disclosure of information:

1. The following circumstances shall be publicly announced:
 - A. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 - B. Merger, demerger, acquisition, or transfer of shares.
 - C. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
 - D. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more. The preceding transaction amount will be raised to NT\$1 billion or more when paid-in capital of the company reaches NT10 billion.
 - E. Acquisition or disposal by the company in the construction business of real property or right-of-use assets thereof for construction use, where the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
 - F. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
 - G. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - a. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
 - b. Where done by professional investors - securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the GTSM.

- c. Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 - H. The amount of transactions above shall be calculated as follows, and “within the preceding year” refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount.
 - a. The amount of any individual transaction.
 - b. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
 - c. The cumulative transaction amount of real property or right-of-use assets thereof acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
 - d. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
2. The prescription of publicly announcing and reporting: Under any of the circumstances in paragraph 1, the company acquiring or disposing of assets shall publicly announce and report the relevant information in the appropriate format as prescribed by regulations on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event.
 3. The procedures of publicly announcing and reporting: Public announcement and regulatory filing procedures:
 - A. The company shall publicly announce and report the relevant information on the FSC’s designated website.
 - B. The company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
 - C. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days counting inclusively from the date of knowing of such error or omission.
 - D. The company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.
 - E. Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding paragraph, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
 - a. Change, termination, or rescission of a contract signed in regard to the original transaction.
 - b. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

- c. Change to the originally publicly announced and reported information.
4. Format of publicly announcement: In accordance with regulations of the FSC.

Article 15

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

1. The subsidiary shall follow these Regulations for the acquisition and disposal of assets.
2. Information required to be publicly announced and reported in accordance with the provisions of Article 14 on acquisitions and disposals of assets by a subsidiary that is not itself a public company in Taiwan shall be reported by the company.
3. The paid-in capital or total assets of the company shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing.

Article 16

For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

Article 17

The company shall follow personnel management regulations and employee manual to periodically assess and punish personnel violating these Regulations in accordance with the seriousness of the case.

Article 18

When these Regulations are submitted for discussion by the board of directors, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. When these Regulations are adopted or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by 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 2 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 19

In regard to all matters not provided for in these Regulations, relevant laws and regulations shall govern. After these Regulations have been approved by the board of directors, they shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended.

These Regulations have been passed by the board of directors on May 8, 1998.

The first amendment was approved on November 17, 1999.

The second amendment was approved on March 25, 2003.

The third amendment was approved on March 21, 2006.

The fourth amendment was approved on December 21, 2006.

The fifth amendment was approved on March 15, 2007.

The sixth amendment was approved on June 6, 2012.

The seventh amendment was approved on June 11, 2014.

The eighth amendment was approved on June 8, 2017.

The ninth amendment was approved on June 12, 2018.

The tenth amendment was approved on June 4, 2019.

The eleventh amendment was approved on June 17, 2022.