

TAIWAN CEMENT CORPORATION
Procedures for the Acquisition and Disposal of Assets

Amended and effective from May 26, 2022 by approval of the AGM

Article 1 Legal Basis

The Procedures for the Acquisition and Disposal of Assets (the "Procedures") are formulated in accordance with Article 36-1 of the Securities and Exchange Act as well as other relevant regulations promulgated by the competent authorities.

Article 2 The term "assets" as used in these Procedures 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. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

Article 3 Terms used in these Procedures are defined as follows:

1. Derivatives: Refers to 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 of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed of 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 (the "transfer of shares") under Article 156-3 of the Company Act.
3. Related party or subsidiary: Refers to as defined in the Procedures 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 of the transaction, date of payment, date of consignment trade, date of transfer, dates of board of directors' resolutions, or other date that can confirm the counterparty 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 conducted in accordance with the provisions of the Procedures Governing Permission for Investment or Technical Cooperation in the Mainland Area of the Ministry of Economic Affairs Investment Commission.
7. 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.
8. 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 4 Assessment and Operation Procedures for the Acquisition and Disposal of Assets

1. Investment and Disposal of Securities
 - A. The general manager or the supervising vice general manager is authorized to approve any investment or disposal of securities classified as current assets on the financial statements as well as any investment or disposal reaching the value of NT\$50 million or less of securities and classified as non-current assets on the financial statements; the chairperson of the board of directors is authorized to approve any investment or disposal of securities reaching the value of NT\$100 million or less of securities and classified as non-current assets on the financial statements; any investment or disposal of securities exceeding the above-mentioned thresholds shall be submitted to the board of directors for resolution.
 - B. In acquiring or disposing of securities, the Company 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 (CPA), for reference in appraising the transaction price, and if the monetary amount of the transaction reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price; however, this requirement does not apply if such securities have a publicly quoted prices of securities from an active market, or if otherwise provided by the regulations of the Financial Supervisory Commission (FSC).
2. Acquisition or disposal of real estate, equipment or right-of-use assets:
 - A. Procedures relating to the preparation of the budget, purchase request, purchase, inspection/acceptance and disposal shall be subject to the Company's Property Management Guidelines.
 - B. In acquiring or disposing of real property or 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 held for business use, shall obtain an appraisal report, where the mandatory matters are subject to the provisions provided by the FSC, 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 CPA shall be engaged to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - i. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - ii. 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.

In case of not obtaining the appraisal report immediately with the justifiable reasons, the Company shall obtain the appraisal report within 2 weeks counting inclusively from the date of occurrence of the event, and obtain a CPA's opinion in Subparagraph 3 of the preceding paragraph within 2 weeks counting inclusively from the date of obtaining of said appraisal report.

- 3. Acquisition and Disposal of membership, intangible assets or the right-of-use thereof and other material assets:

The general manager is authorized to approve any acquisition or disposal of membership, intangible assets or the right-of-use thereof and other material assets reaching the value of NT\$50 million or less; the chairperson of the board of directors is authorized to approve such acquisition or disposal reaching the value of NT\$100 million or less; any acquisition or disposal exceeding the above-mentioned thresholds shall be submitted to the board of directors for approval. Such acquisition or disposal where 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 CPA prior to the date of occurrence of the event to render an opinion on the

reasonableness of the transaction price.

4. The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Paragraph 2 of Article 5 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.
5. Where the Company acquires or disposes of assets through court auction procedures:
The supporting documents issued by the court may be substituted for an appraisal report or a CPA's opinion.
6. Related Party Transactions:
 - A. 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 in accordance with Paragraphs 1 to 3 and this Paragraph, 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.
 - A. When judging whether a counterparty of a transaction is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
 - B. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 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 audit committee and recognized by the Board of Directors:
 - i. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - ii. The reason for choosing the related party as a transaction counterparty.
 - iii. 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 Subparagraphs D to F.
 - iv. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
 - v. 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.

- vi. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
 - vii. Restrictive covenants and other important stipulations associated with the transaction.
- B. Where the types of transactions listed below are conducted between the Company and its subsidiaries, or between its subsidiaries whose issued shares or authorized capitals are 100 percent owned, directly or indirectly, by the Company, the Company's board of directors may, authorize the Chairperson of the board of directors to decide such matters when the transaction is within 1 percent of its paid-in capital and have the decisions subsequently submitted to the board of directors for ratification in the upcoming 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.

Where the position of independent director has been created, when a matter is submitted for discussion by the board of directors pursuant to the preceding subparagraph, 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 meeting of the board. Where the matters that require to be submitted and approval in accordance with Subparagraph A, such matters shall first be approved by more than half of all members of the audit committee and then submitted to the board of directors for a resolution. If approval of half of all members of the audit committee or more as required has not been obtained, such matters may still be implemented if approved by two-thirds of all directors or more, provided that the resolution of the audit committee shall be recorded in the minutes of the board of directors. The terms "all members of the audit committee " and "all directors" referred to in this Paragraph shall be counted as the actual number of persons currently holding those positions.

- C. If the Company or any of its subsidiaries that is not a domestic public company engages in the transaction prescribed in Subparagraph A, and the amount of such transaction exceeds 10 percent or above of the Company's total assets, the Company shall submit the documents which are listed in respective items of Paragraph A to the shareholders' meeting and be approved thereby before entering into the transaction agreements and making the payment. However, the transactions between the Company and its subsidiaries, or the transactions between the subsidiaries are exempted. The calculation of transaction amounts referred to in Subparagraph A and this Subparagraph shall be handled in accordance with paragraph 2 of Article 5 herein, and said "within one year" as used herein refers to a year calculated retrospectively based on the date of occurrence of the current transaction. The part of transaction which has been submitted and ratified by the audit committee, the board of directors and the shareholders' meeting in accordance with the Procedures need not be further counted toward the transaction amount.
- D. In obtaining real property from the related party, the Company shall evaluate the reasonableness of the transaction costs by the following means and shall

also engage a CPA to check the appraisal and render a specific opinion:

- 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 to where the financial institution is a related party of one of the transaction counterparties.
- C. 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 Items a and b above.
- E. Where one of the following circumstances exists, the acquisition shall be conducted in accordance with the Subparagraphs A to C above, and the preceding subparagraph do not apply:
 - 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.
- F. When the results of the appraisal conducted in accordance with Subparagraph D are uniformly lower than the transaction price, the matter shall be handled in compliance with Subparagraph G. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:
 - 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:
 - i. Where undeveloped land is appraised in accordance with the means in the preceding article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 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.
 - ii. 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 practices.

- iii. Lease by unrelated parties within the preceding year involving other floors of the same property, where transaction terms are similar after calculation of reasonable price discrepancies in floor prices in accordance with standard property market 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 transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Transactions involving neighboring or closely valued parcels of land, 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; transactions involving similarly sized parcels in principle refers to transactions made 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.
- G. Where the results of appraisals conducted in accordance with the Subparagraphs D to F are uniformly lower than the transaction price, the following steps shall be taken:
 - A. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the transaction price of the real property or the right-or-use asset thereof and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
 - B. The supervisors shall comply with Article 218 of the Company Act.
 - C. Actions taken pursuant to Items a and b shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
 - D. If the Company has set aside a special reserve under Item a, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or 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.
 - H. When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with Subparagraph G, if there is other evidence indicating that the acquisition was not an arm's length transaction.
- 7. Engaging in Derivatives Trading:
 - A. When engaging in derivatives trading, the Company shall pay strict

attention to control of risk management and auditing matters, and the Procedures includes:

A. Trading principles and strategies:

- i. Derivatives referred to in these Procedures shall mean 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.
- ii. The derivatives that the Company is trading shall be marketable and safe, including forward contracts, options contracts, or swap contracts, or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.
- iii. The purpose of the Company's trading of derivatives is to hedge the risks arising from the Company's business activities. Trading for any purposes other than hedging risks shall be submitted to the board of directors for approval.
- iv. The counterparty of the Company's derivatives trading shall be limited to the financial institutions with internationally recognized reputation, good credit rating and existing working relationship with the Company.
- v. Internal authorizations required for the Company's trading of derivatives are as follow:
 - (1) The general manager is authorized by the board of directors to approve the execution of transactions at his/her absolute discretion, and different levels of executives are authorized to executive certain transactions according to the amount involved of such transactions; to further elaborate:
 - (a) The vice general manager of finance department is authorized to execute any transactions where the value of a single contract is NT\$100 million or less (or the equivalent amount in other currencies).
 - (b) The general manager is authorized to approval any transactions where the value of a single contract is NT\$100 million or more (or the equivalent amount in other currencies).
 - (2) The finance department is tasked with the strategizing, executing and assessing the results of the transactions as well as gathering and analyzing market information.
 - (3) The audit department is tasked with reviewing the transactions and evaluating the internal control process of such transactions.
- vi.
 - (1) Maximum contractual values in respect of the Company's derivatives trading:
 - (a) The aggregate operating balance of the hedging contracts

shall not exceed 30% of the net value of the most recent financial statements of the Company, and the individual contract shall not exceed 3% of the net value of the most recent financial statements of the Company.

- (b) The aggregate operating balance of the non-hedging contract shall not exceed 1% of the net value of the most recent financial statements of the Company, and the individual contract shall not exceed 0.2% of the net value of the most recent financial statements of the Company.
- (c) The aggregate operating balance of the entire contract shall not exceed 30% of the net value of the most recent financial statements of the Company.
- (2) Upper limits on losses arising from all and individual contracts are as follows:
 - (a) The amount of realized and unrealized losses arising from an individual contract for hedging shall not exceed 20% of the amount of such contract and the realized and unrealized amount of all hedging contracts shall not exceed 5% of the net value of the most recent financial statements of the Company.
 - (b) The amount of realized and unrealized losses arising from an individual non-hedging contracts shall not exceed 20% of the amount of such contract and the realized and unrealized losses arising from all non-hedge contracts shall not exceed 0.2% of the Company's most recent financial statements.
 - (c) The realized and unrealized losses arising from the execution of all derivatives contracts by the Company shall not exceed 5% of the Company's most recent financial statements.
- (3) When the amount of individual contract or the loss thereof exceeds the above limits, a report shall immediately be submitted to the general manager, the necessary countermeasures shall be taken, and the case shall be submitted to the most recent meeting of the board of directors.
- vii. The finance department shall regularly issue a performance evaluation report on the trading of derivatives; such report shall include the information below:
 - (1) Trend analysis of the derivatives market.
 - (2) Appropriateness of the Company's holding and control of the derivatives.
 - (3) The increase and decrease of the derivatives holding's fair market value and gains or losses.
 - (4) Whether the hedging-oriented transactions have achieved the goals of risk-hedging? What is the performance of the non-hedging transactions?

B. Risk management measures.

When engaging in derivatives trading, the Company shall adopt the following risk management measures:

- i. Risk management shall address credit, market, liquidity, cash flow,

- operation, and legal risks.
 - ii. The supervisor designated by the board of directors shall periodically assess whether the risk management measures currently in use are appropriate in accordance with relevant regulations.
 - iii. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
 - iv. Before handling each transaction in accordance with the Procedures, the finance department's personnel shall fill out the instructions to be approved by the relevant authorized supervisor before proceeding with the transaction. Risk measurement, monitoring, and control personnel shall be assigned to a different department from the department that the personnel mentioned above and shall report to the board of directors or management personnel authorized by the board of directors. The audit department shall periodically audit and monitor the risk management and control of the transaction.
 - v. The person assigned by the supervisor designated by the board of directors shall assess the risk of the Company's positions of hedging trading at least twice a month in respect of the value of the executed contracts. If there are non-hedging transactions, the risk of such positions shall be assessed once a week and a report shall be submitted to the relevant supervisor designated by the board of directors.
- C. Internal audit system:
The auditing office incorporates the audit of the derivatives trading into the annual auditing plan each year, and audits the same from time to time in every year. The results of the audit will be reported to the FSC by the end of February of the following year. Before the end of May of the following year, the improvement of the defects and abnormalities revealed by the internal audit will be reported to the FSC for recordation.
- D. Regular evaluation methods and the handling of irregular circumstances.
- i. The finance department shall, at the end of each year, in coordination with the Company's operating budget for the next year, estimate the contingent risk positions of the year and report the same to the general manager.
 - ii. The finance department shall, in coordination with the announcement of derivatives transactions by the 10th day of each month, evaluate the profit and loss and future risks in connection with the existing transaction contract and the prevailing market price and report the same to the general manager.
 - iii. The results of the finance department's trading in derivative shall be reported to the most recent meeting of board of directors.
 - iv. Any and all trading abnormalities, if any, shall be reported to the general manager; necessary response measures shall then be adopted; such abnormalities shall also be reported to the board of directors.
- B. The board of directors shall monitor and manage the Company's derivatives trading pursuant to the following principles:
- A. The board of directors shall authorize different levels of supervisors to

execute derivatives trading of certain contract value based on the Company's business performance and holding of risk positions. The above-mentioned different levels of supervisors include the general manager and the finance vice general manager.

- B. Personnel from the finance department shall establish operating and risk-hedging strategies of the Company's business need and asset liability performance and report the same to the general manager at the end of every six month or every year.
- C. Senior management personnel designated by the board of directors shall pay continuous attention to monitoring and controlling derivatives trading risk.
- D. The board of directors shall 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.
- E. Management personnel authorized by the board of directors shall periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures and the Procedures for Engaging in Derivatives Transactions established by the Company.
- F. Management personnel authorized by the board of directors shall monitor the trading and the profit and loss thereof; when irregular circumstances are found in the course of supervising trading and profit-loss circumstances, necessary response measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.
- C. When engaging in derivatives trading,
 - A. the Company shall establish a recordation book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under Item b v of Subparagraph A, and Items b and e of Subparagraph B, Paragraph 7 of Article 4 herein shall be recorded in detail in the recordation book.
 - B. internal audit personnel shall periodically understand the appropriateness of the internal control of derivatives trading, and verify transaction department's compliance with the Procedures for Engaging in Derivatives Transactions on a monthly basis and prepare an audit report thereof. If a major violation has been discovered, the audit committee shall be notified in writing.
- 8. Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares
 - A. 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 the same 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. When participating in a merger, demerger, acquisition, or transfer of shares, the Company 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 the preceding paragraph 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.
- C. When participating in a merger, demerger, or acquisition, the Company shall convene a meeting of the board of directors and shareholders' meeting on the day of the transaction to resolve matters in connection to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- D. When participating in a transfer of shares, the Company 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.
- E. 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.
- F. When participating in a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the following 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, which affects the Company's financial operations.
 - C. An event, such as a major disaster or major change in technology, which 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.
- G. The contract for participation by the Company in a merger, demerger, acquisition, or transfer of shares shall specify the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also specify 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.
- H. 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.
- I. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company 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.
- J. When participating in a merger, demerger, acquisition, or transfer of another

company's shares, the Company shall, within 2 days counting inclusively 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 Items a and b of the preceding subparagraph to the FSC for recordation.

- K. Where any of the companies participating 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 Subparagraphs C, D, E, H, I, and J.
9. Professional appraisers, CPAs, attorneys, and securities underwriters that provide the Company with appraisal reports, CPA's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:
- A. May not have previously received a final and unappealable sentence to imprisonment for 1 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 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.
 - B. May not be a related party or de facto related party of any party to the transaction.
 - C. 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 respective industry associations and the following:
- A. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
 - B. When executing 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.
 - C. They shall undertake an item-by-item evaluation of the adequacy and reasonableness of the sources of data, the parameters, and the information used as the basis for issuance of the appraisal report or the opinion.
 - D. 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 adequate and reasonable, and that they have complied with applicable laws and regulations.
10. With regard to the acquisition or disposal of assets, after such acquisition or disposal has been approved by the board of directors in accordance with the Procedures and other acts, if any director expresses dissent and it is documented in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the audit committee. When the dissenting opinion has been 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 meeting minutes of the board of directors. Major transaction of assets or derivatives shall be approved by more than half of all members of the audit committee and submitted to the board of directors for a resolution. If approval of more than half of all the audit Committee has not been obtained, the transaction may still 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 meeting. The terms "all members of the audit committee members" and "all directors" referred to in this paragraph shall be counted as the actual number of persons currently holding those positions.

Article 5 Procedures for Public Announcement and Filing

1. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:
 - 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. Acquisition or disposal of equipment for business use or its right-of-use assets, where the counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.
 - E. Acquisition or disposal by a company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore, the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; or when the company 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 is less than NT\$500 million.
 - G. Where an asset transaction other than any of those referred to in the

preceding three subparagraphs, 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 credit rating not lower than sovereign rating of Taiwan.
 - B. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign corporate bonds or 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 (ETNs), 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 Taipei Exchange.
 - C. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. The amount of transactions above shall be calculated as follows:
- 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 transaction counterparty within the preceding year.
 - C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property 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.
- "Within the preceding year" as used in the preceding subparagraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.
3. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company 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.
4. If the Company, at the time of public announcement, makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
5. When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, recordation 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.
6. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with Paragraphs 1 and 2, 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.
- 7. When the Company and its subsidiaries acquire or dispose of any assets, the relevant information shall be made public and filed with the relevant authorities in accordance with the provisions of the Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.
 - 8. The mandatory announcement items are subject to the format of such public announcement on the website designated by the FSC.

Article 6 Upper limits on the total amounts of real property or right-of-use assets thereof or securities acquired by the Company and its subsidiaries for non-business use and the limits on individual securities:

- 1. The total amount of securities purchased by the Company shall not exceed 100 percent of the shareholders' equity specified on the Company's most recent financial statements; the limit of the investment in individual securities shall not exceed 30 percent of shareholders' equity specified on the Company's most recent financial statements.
- 2. The total amounts of real property or right-of-use assets thereof acquired by the Company for non-business use shall not exceed 20 percent of shareholders' equity specified on the Company's most recent financial statements.
- 3. Upper limits on the total amounts of real property or right-of-use assets thereof or securities acquired by a subsidiary of the Company for non-business use and the limits on individual securities shall be subject to such subsidiary's "Procedures for the Acquisition and Disposal of Assets"; provided that the aggregate amount of each aforesaid asset acquired by each subsidiary shall not exceed the limits set out below:
 - A. The total amount of investment in securities may not exceed 50 percent of the shareholders' equity specified on the Company's most recent financial statements.
 - B. The amount of investment in individual securities may not exceed 30 percent of the shareholders' equity specified on the Company's most recent financial statements.
 - C. Purchase of real property or right-of-use assets thereof for non-business uses may not exceed 20 percent of the shareholders' equity specified on the Company's most recent financial statements.
- 4. The number of shares held by the Company and its subsidiaries in the reinvestment business are calculated as those held by the directors, supervisors or the participating investors at the time of establishment of such reinvestment business, which are not included in the total amount of investment in securities and the amount of individual securities invested (except for where the reinvestment business is a professional investment company).

Article 7 Control and management procedures for the acquisition and disposal of assets by subsidiaries.

1. Subsidiaries of the Company shall formulate or amend their "Procedures for the Acquisition and Disposal of Assets" in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies; such procedures shall become effective upon approval of the board of directors of such subsidiaries and shall be submitted to the Company (finance department) for recordation.
2. Subsidiaries of the Company shall solely verify whether their procedures for the acquisition and disposal of assets are in compliance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and whether their acquisitions and dispositions of assets are compliant with such procedures.
3. The audit office shall periodically review the inspection reports solely produced by each subsidiary of the Company pursuant to the preceding paragraph.
4. Where the Company's reinvestment business is not a public company in Taiwan, if such business' acquisition or disposition of assets meets the threshold of public announcement and filing specified in Article 5, such business shall, by noon of the date of occurrence (or by 4:00 PM under special circumstances; provided that the finance department shall be notified in advance), deliver the filing information to the Company via fax or email and verify the delivery of such information with the finance department, for the Company to make the public announcement on behalf of such business. For a foreign subsidiary, if there is a time limit for making public announcement through the Company under these Procedures, the Company may make such public announcement in accordance with the timeframe to which such foreign subsidiary must adhere.
5. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to reaching 20% paid-in capital or 10% total assets, it reaches a threshold requiring public announcement and regulatory filing under Paragraph 1 of Article 5.
6. When a subsidiary violates the provisions of this article, the Company will issue a notice to the subsidiary for the subsidiary to impose penalties on the relevant personnel for their violations and report the same to the Company for recordation.
7. For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Procedures 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, Articles 4, 5, and 7, and the calculation of transaction amounts of 20 percent of paid-in capital under these Procedures, 10 percent of equity attributable to owners of the parent company shall be substituted; for the calculation of transaction amounts achieving NT\$10 billion of paid-in capital under these Procedures, NT\$ 20 billion of equity attributable to owners of the parent company shall be substituted.

Article 8 Appropriate Penalties for personnel violating the Regulations Governing the Acquisition and Disposal of Assets by Public Companies or these Procedures shall be subject to the relevant provisions in Reward and Punishment of Section 2,

Evaluation of Chapter 6 and Dismissal of Section 6, Deemployment of Chapter 7 under Enforcement Rules of Personnel Management Rules of the Company based on the severity of the Company's damage arising from such personnel's violation.

Article 9 Other Material Matters

1. In the event that the relevant regulations and interpretations that these Procedures were based on have been amended but these Procedures have not yet been amended accordingly, matters relating to the public announcement or filing of any acquisitions or dispositions of assets shall be subject to the amended relevant regulations.
2. The Company shall formulate the Procedures for the Acquisition and Disposal of Assets pursuant to the provisions provided by the competent authority. Amendments to these Procedures shall be approved by the audit committee and then the board of directors, and be submitted to the shareholders' meeting for approval; where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the shareholders' meeting for discussion.
3. Where the position of independent director has been created, when the draft of these Procedures has been 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 meeting minutes of the board of directors.
4. Amendment to these Procedures shall be approved by more than half of all members of the audit committee and submitted to the board of directors for a resolution. If approval of more than half of all the audit committee has not been obtained, the transaction may still 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 meeting of board of directors. The terms "all members of the audit committee members" and "all directors" referred to in this paragraph shall be counted as the actual number of persons currently holding those positions.