Procedures for Acquisition or Disposal of Assets of KENDA RUBBER IND. CO., LTD.

Resolved on June 30, 2022 at the Annual Meeting of Shareholders

1. To protect investors, information disclosure shall be implemented.

2. The Procedures shall apply to the acquisition or disposal of assets of the Company and each of its subsidiary.

3. Promulgation, amendment and discard of the Procedures shall be in accordance with the competent authority.

4. The Procedures are managed by the financial executive.

5. Source of law: The Company revised these Procedures in accordance with the regulations stipulated by the competent authority.

5.1 The term "assets" as used includes the following:

5.1.1 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.

5.1.2 Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.

5.1.3 Memberships.

5.1.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.

5.1.5 Right-of-use assets.

5.1.6 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).

5.1.7 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.

5.1.8 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.

5.1.9 Other major assets.

5.2 Appraisal procedures:

5.2.1 When the Company acquires or disposes of any long-term/short-term securities or engages in any transaction of derivative products, the finance department shall perform an analysis of relevant return and evaluate possible risks. For any acquisition or disposal of real property, equipment, or right-of-use assets thereof, each division shall draft prior capital expenditure plan and perform feasibility evaluation about the purpose and expected return of the acquisition or disposal. If real property or right-of-use assets thereof is to be acquired from a related party, evaluation of the reasonableness of transactional conditions shall be performed in accordance with No. 5.9 to 5.12.3 of the Procedures.

5.2.2 When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements or other related information 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 where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

5.2.3 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.

5.2.4 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 held 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 appraisal provisions of the Procedures:

5.2.5 When the Company conducts a merger, demerger, acquisition, or transfer of shares, it shall follow No. 5.17 of the Procedures.

5.2.6 The price determination manner and basis of reference for the Company's acquisition or disposal of assets shall, in addition to the professional price appraisal and opinions of relevant experts such as the accountant pursuant to the above provisions, be in compliance with the following:

1. For the acquisition or disposal of securities that are already traded on any centralized trading market or over-the-counter trading center, the price shall be determined based on the price of the stock or bond at the time of trading.
2. For the acquisition or disposal of securities that are not traded on any centralized trading market or over-the-counter trading center, the price shall be determined in consideration of the net value per share, technical and profit-making capabilities, future development potential, market interest rate, face value interest rate of the bond and debtor's creditworthiness, etc. and also in reference to the latest closing price at that time.
3. For the acquisition or disposal of membership, the price shall be determined in consideration of the return that may be generated and in reference to the latest closing price at the time. For the acquisition or disposal of intangible assets or

right-of-use assets thereof such as patent right, copyright, trademark right and license right, the price shall be determined in reference to international or market practice, remaining life and the impact on the Company's technology and business.

4. For the acquisition or disposal of real property or equipment, the price shall be determined in reference to the current value under public announcement, appraised current value, actual closing price or book value of real property in the vicinity and suppliers' price proposals. If the real property is purchased from a related party, calculation shall first be made in accordance with No. 5.9 to 5.12.3 of the Procedures hereof in order to evaluate whether the transaction price is reasonable.
5. Futures market conditions, exchange rate and interest rate fluctuations should be taken into account for the engagement of transactions of derivative products.
6. In performing a merger, demerger, acquisition or transfer of shares, the nature of business, net value per share, asset value, technical and profit-making capabilities, production capacity and future growth potential shall be taken into consideration.

5.2.7 The calculation of the transaction amounts referred to in No. 5.2.2, 5.2.3, and 5.2.4 of the Procedures shall be done in accordance with the provisions of No. 5.4.2 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.

5.3 Operating procedures:

5.3.1 Degree of authority delegated and levels to which authority is delegated:

1. Securities: The Chairman or President is authorized to conduct transactions within the limits set forth in No. 5.6 of the Procedures. Any transaction that meets the public announcement requirement under No. 5.4 of the Procedures shall be reported to the Chairman of the Board for approval on the following day and shall be submitted to the most recent Board of Directors for ratification. However, if the acquisition or disposal of stocks, bonds or private placements

of securities that are not traded on any centralized trading market or over-the-counter trading center, and the transaction amount exceeds the public announcement requirement, the acquisition or disposal should be approved by the Board of Directors in advance. The Board of Directors shall be authorized by the shareholders' meeting to execute the two investments in Mainland China. These investments shall only be made after the Board of Directors has applied for approval from the Investment Commission of the Ministry of Economic Affairs.

2. Derivatives trading:

   A. Hedge trades: For transactions with a single or accumulated closed positions below USD 20 million (including the equivalent in other currencies) according to the change of position in accordance with the company's turnover and risk, the Chairman of the Board shall designate personnel to conduct such transactions; if the positions exceeds USD 20 million, the transaction shall be approved by the Chairman of the Board.

   B. Non-Hedging Positions: In order to decrease the risk, any single or accumulated closed positions below USD 6 million (including the equivalent in other currencies) shall subject to approval by the Chairman of the Board and positions exceeding USD 6 million shall be subject to approval by the Board of Director before the relevant transaction may be performed.

   C. The Bank needs to be informed by the delegated personnel in order to ensure that the Company's authorization is in line with the Bank's supervision and management.

   D. The derivative transactions conducted under the aforesaid delegation shall be reported to the Chairman of the Board or the Board of Directors afterwards.

3. Related party transactions: The Company shall prepare the materials mentioned in No. 5.9 to 5.12.3 of the Procedures and submit them to the audit committee and the Board of Directors for approval before the transaction contract may be entered into and any payment made.

4. Merger, demerger, acquisition, or transfer of shares: The Company shall go through the relevant procedures and prepare relevant information in accordance with No. 5.18 to 5.23.3 of the Procedures, in which the merger, demerger, or acquisition shall be resolved by the shareholders' meeting. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to resolve the merger, demerger, or acquisition, this restriction shall not apply. The transfer of shares shall be subject to the approval of the Board of Directors.
5. Others: All transactions shall be carried out in accordance with the internal control system and the operating procedures stipulated in the approval authority. If the transaction amount reaches the public announcement and reporting standard of No. 5.4 of the Procedures, except for the acquisition or disposal of equipment held for business use, which may be submitted to and ratified by the Board of Directors afterwards, the rest shall be resolved and approved by the Board of Directors in advance. In the event that there are circumstances stipulated in Article 185 of the Company Act, such circumstances shall be resolved by the shareholders' meeting first.

5.3.2 The Implementation Unit and Transaction Process:

The finance and accounting departments and the personnel designated by the Chairman shall be the implementation unit of long-term and short-term securities investment and derivative transactions. Real estate, other assets and right-of-use asset shall be executed by the users or related functional departments. Merger, demerger, acquisition or transfer of shares shall be conducted by the functional unit designated by the Chairman. Upon successful evaluation as required by law and approval, the implementation unit shall proceed to the acquisition or disposal of assets by entering into related agreements, making or receiving payment, delivery and inspection for acceptance, and referred to related process under the internal control system depending on the nature of the assets Related party transactions, derivative transactions, mergers, demergers, acquisitions or share transfers shall be conducted in accordance with No. 5.9 to 5.22.3 of the Procedures.

5.4 Public announcement and regulatory filing procedures:

5.4.1 Under any of the following circumstances, when acquiring or disposing of assets, the

Company shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations in Appendix 2 to Appendix 8 within 2 days counting inclusively from the date of occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 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.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in No. 5.13.4 of the Procedures.
4. 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 meets any of the following criteria:
    A. For a public company whose paid-in capital is less than NT$10 billion, the transaction amount reaches NT$500 million or more.
    B. For a public company whose paid-in capital is NT$10 billion or more, the transaction amount reaches NT$1 billion or more.
5. Acquisition or disposal by a public 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; among such cases, if the public 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.
6. 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.

7. 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. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

5.4.2 The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

5.4.3 "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be counted toward the transaction amount.

5.4.4 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 as mentioned in the appendix into the information reporting website designated by the FSC by the 10th day of each month.

5.4.5 When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

5.4.6 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with No. 5.4.1 of the Procedures, 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:

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

5.5 Procedure for appraisal of assets:

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 held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser (please refer to Appendix 1) and shall further comply with the following provisions. However, 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.

5.5.1 Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.

5.5.2 Where the transaction amount is NT$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

5.5.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

5.5.4 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.

5.6 In addition to acquiring assets for business use, the Company and its subsidiaries may also invest in real property and right-to-use assets thereof or securities not for business use, subject to the following restrictions.

5.6.1 The total amount of real property and right-of-use assets thereof not for business use shall not exceed 50% of the Company's net worth as stated in its most recent financial statements. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the most recent financial statements, whichever is higher.

5.6.2 Total investment in securities shall not exceed 30% of the net worth of the Company as stated in the most recent financial statements. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the most recent financial statements, whichever is higher.

5.6.3 The investment in particular security shall not exceed 20% of the net worth of the Company as stated in the financial statements covering the most recent period. Subsidiaries shall not exceed 200% of the net worth or stated capital as presented in the financial statements covering the most recent period, whichever is higher.

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

5.7.1 The Company's subsidiaries shall also establish and implement the "Procedures for the Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" as approved by the Board of Directors of the subsidiaries; the same applies when the procedures are amended.

5.7.2 The Company's subsidiaries shall acquire or dispose of assets in accordance with their respective "Internal Control System" and "Procedures for Acquisition or Disposal of Assets" and shall report to the Company in writing by the 5th day of each month on the acquisition or disposal of assets for the amount that reached NT$10 million or more in a single or cumulative same nature transaction in the previous month and the derivative transactions as of the end of the previous month. The auditing unit of the Company shall include the operation of acquisition and disposition of assets conducted by the subsidiaries as key monthly audit items, and shall report to the Board and the Audit Committee of the audit findings as an integral part of the audit report.

5.7.3 If the subsidiaries of the Company are not public companies, and the acquisitions or disposition of assets of these subsidiaries meet the standard required for public announcement and reporting as stated in No. 5.4 of the Procedures, they shall notify the Company on the day of deed and the Company shall make public announcement and reporting on the FSC's designated website. The paid-in capital or total assets of the Company shall be the standard applicable to the subsidiaries in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing.

5.8 Penal Provisions:

If the personnel of the Company related to the acquisition or disposition of assets violate the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the FSC or these Procedures, depending on the circumstances of the violation, the relevant personnel shall be punished in accordance with the Company's work rules.

5.9 Related party or subsidiary:

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

5.9.1 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 in compliance with No. 5.2, 5.5, and No. 5.10 to 5.12 of the Procedures, 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. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with No. 5.2.7 of the Procedures herein. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

5.10 The procedures for adoption of resolutions:

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 submitted to the audit committee and approved by the Board of Directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with No. 5.11, and No. 5.12 to

5.12.3 of the Procedures.

4. 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.

5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.

6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.

7. Restrictive covenants and other important stipulations associated with the transaction.

5.10.1 With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its 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 Chairman of the Board to decide such matters when the transaction is within NT$300 million and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

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

5.10.2 When the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors pursuant to No. 5.10 of the Procedures, 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.

5.10.3 The beforehand mentioned matters in No. 5.10 of the Procedures shall be approved by one-half or more of all audit committee members before being submitted to the Board of Directors for a resolution.

5.10.4 The Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in No. 5.10 of the Procedures 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 provisions of No. 5.10 of the Procedures 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 its subsidiaries.

5.10.5 The calculation of the transaction amounts referred to in No. 5.10 and 5.10.4 of the Procedures shall be made in accordance with No. 5.4.2 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 and recognized by the audit committee need not be counted toward the transaction amount.

5.11 Appraisal of the reasonableness of the transaction terms:

When the Company acquires real property or right-of-use assets thereof from a related party, it shall evaluate the reasonableness of the transaction costs by the following means:

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

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

The Company 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 the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

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 the preceding article, and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

5.12 Matters to be done if the transaction price is lower than the transaction cost:

5.12.1 When the results of the Company's appraisal conducted in accordance with No. 5.11 of the Procedures are uniformly lower than the transaction price, the matter shall be handled in compliance with No. 5.12.3 of the Procedures except where the following circumstances exist and when 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.

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

A. 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.

B. 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.

2. 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.

5.12.2 Completed transactions involving neighboring or closely valued parcels of land in No. 5.12.1 of the Procedures 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 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.

5.12.3 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 No. 5.11 and 5.12.1 of the Procedures are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of

the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. The Company, having set aside a special reserve under the preceding paragraph, 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.

2. The independent director members of the audit committee shall comply with Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.

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

5.13 Trading principles and strategies for engaging in derivatives trading:

5.13.1 Types of Transactions: The types of transactions in which the Company my engage include forward contracts, options, interest rate and exchange rate swaps, futures, and hybrid contracts combining the above transaction. Any required transaction in any other product may only be carried out following approval by resolution of the Board of Directors.

5.13.2 Operating or hedging strategies: Transactions in derivative products carried out by the Company are divided into transactions for hedging purpose and transactions that are not for hedging purpose (i.e., for transaction purpose). The strategy shall be to focus on the main purpose of hedging. The main selection of transaction products shall be for avoiding the risk of foreign exchange income, expense, asset or indebtedness incurred from the operation of the Company's business. In case of any change of objective environment, "non-hedging transactions" in derivative products may be engaged at appropriate timing in the market in order to increase additional non-operational income or reduce non-operational loss. Further, to the extent possible, the selected transaction counterparties shall be financial institutions that have business dealings with the Company in order to avoid credit risk. The type of transaction shall be clearly defined as hedging transaction or financial operation in pursuit of investment return prior to the transaction as the basis for accounting.

5.13.3 Transaction Amount Limits:

1. Hedging Transactions: The maximum hedging limit shall be the net positions of foreign exchange or debt (including net positions expected to incur in the future) after consolidation of assets and debt.
2. Non-Hedging Transactions: The amount shall not exceed USD 60 million. Before proceeding to trade, the dealer shall present a report on the trend of foreign exchange rate and the content shall include the analysis of the trend in the foreign exchange market and the recommended means of trade subject to the final approval of the management.

5.13.4 The maximum loss limit on total trading and for individual contracts:

1. Hedging transactions: Hedging transactions are conducted in response to the actual needs of the Company. The upper limit of loss shall not exceed 10% of the overall position or the amount of particular contract, and the accumulated loss shall not exceed USD 900,000 in one year.
2. Non-Hedging transactions: The Company shall set the loss limit after setting the position to avoid excessive loss. The loss limit shall be up to 10% of the contract amount and the accumulated loss shall not exceed USD 900,000 in one year.

5.13.5 Segregation of duties:

1. Dealer: This is the executor of the derivatives transactions of the Company, who is designated by the Chairman. The dealer is responsible for preparing trading strategies under the scope of authorization, executing trade orders, disclosing future trading risks, and providing real-time information to relevant departments for reference.
2. Confirmation personnel: The Finance Department is responsible for confirming transactions, recording the transactions in accordance with relevant regulations,

maintaining transaction records, regularly conducting fair market assessments on the positions held and providing such information to the relevant personnel and disclosing the related derivative transactions in the financial statements.

3. Settlement personnel: They are responsible for the settlement of derivative transactions.

5.13.6 Essentials of performance evaluation:

1. Hedging Transaction: The evaluation basis is the profit/loss between cost of the currency (interest) on the book and derivative transaction. The performance is evaluated at least twice a month and presented to the management for reference.
2. Trade for defined purpose: The capital gain or loss shall be the basis for performance evaluation, which shall be conducted at least once a week. The findings shall be presented to the management as reference.

5.14 Risk management measures:

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

5.14.1 Consideration of credit risk: The counterparties should be financial institutions and futures brokers in good standing, in business relation with the Company, and can provide professional information.

5.14.2 Consideration of market risk: The fluctuation of market price for derivatives may cause loss and uncertainty. The loss limit shall be duly observed after establishing the position of trade.

5.14.3 Consideration of liquidity risk: For the liquidity of the derivatives, the institutions involved in the transactions must be equipped with adequate facilities, information, and trading capacity and can conduct trade in any market.

5.14.4 Consideration of operation risk: The limit of authorization, operation procedure must be duly observed to avoid operation risk.

5.14.5 Consideration of legal risk: In entering into agreements with financial institutions, try to adopt the internationally standardized format in documentation as far as possible to avoid legal risk.

5.14.6 Consideration of product risk: The internal dealers must have a wealth of the professional knowledge of the derivative trade the Company engaged in to avoid loss from misleading use of derivatives.

5.14.7 Consideration of cash delivery risk: The authorized dealers must duly observe the authorized limit of trade, and pay attention to the cash flow of the Company regularly to ensure sufficient cash for settlement of trade in delivery.

5.14.8 Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

5.14.9 The confirmation personnel shall confirm with the service bank the content of the transaction statement or proof by correspondence regularly, and check if the total amount of transaction is controlled within the upper limit under the Procedures.

5.14.10 The assessment, monitoring, and control of risks shall be performed by personnel in departments other than those specified in No. 5.14.8 of the Procedures and reported to the Board or senior management who are not in charge of trading or decision of the position.

5.14.11 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 senior management personnel authorized by the Board of Directors.

5.15 Internal audit system:

5.15.1 The Company's internal audit personnel 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, it should be reported immediately to the Chairman of the Board and the senior management designated by the Board of Directors, and the Audit Committee should be notified in writing.

5.15.2 The internal auditors of the Company shall include derivative transactions in the audit plan and shall file the implementation status of the previous year's audit plan to the FSC before the end of February of next year and also shall report the improvement situation for any abnormal affairs to the SEC before the end of May of next year.

5.16 Regular evaluation methods and the handling of irregular circumstances:

5.16.1 Transactions of derivative products shall be regularly evaluated on monthly or weekly basis and profit and loss as well as open positions of non-hedging transactions during the current month or current week shall be listed and submitted to senior management authorized by the Board of Directors and Chairman of the Board as reference for management performance evaluation and risk consideration.

5.16.2 Senior management personnel designated by the Company's Board of Directors shall pay continuous attention to monitoring and controlling derivatives trading risk. The Company's 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.

5.16.3 Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies established by the Financial Supervisory Commission (FSC) and the Company's Procedures for Acquisition or Disposal of Assets.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate 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.

5.16.4 The Company shall establish a record book for transactions of derivative products, detailing the types and amounts of transactions of derivative products, the dates of approval by the Board of Directors, monthly or weekly regularly evaluation reports and matters subject to regular evaluations by the Board of Directors and senior management authorized by the Board of Directors.

5.17 When the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a

CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it by the audit committee 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.

5.18 When the Company conducts a merger, demerger, acquisition, or transfer of shares, it shall prepare a public report to shareholders detailing important contractual content and matters prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding provision 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 for any reason, or the proposal is rejected by the shareholders' meeting, the Companies shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.

5.19 Unless otherwise provided by law or if there is any special reason requiring prior approval by the FSC, when the Company participates in any merger, demerger or acquisition, it shall convene the board meeting and the shareholders' meeting on the same day as the other participating companies to resolve on matters of merger, demerger or acquisition. When the Company participates in any transfer of shares, it shall convene the board meeting on the same day as the other participating companies.

5.19.1 When the Company conducts a merger, demerger, acquisition, or transfer of shares, it shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles,

names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

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

5.19.2 When the Company conducts a merger, demerger, acquisition, or transfer of shares, it 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 subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

5.19.3 When the Company engages in any merger, demerger, acquisition or transfer of shares with a participating company that is not a listed company or whose shares are not traded in any securities dealer's business premises, the Company shall sign an agreement with such participating company and shall follow the provisions of No. 5.19.1 and 5.19.2 of the Procedures.

5.20 Share exchange ratio or acquisition price:

When the Company conducts a merger, demerger, acquisition, or transfer of shares, it 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:

5.20.1 Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

5.20.2 An action, such as a disposal of major assets, that affects the company's financial operations.

5.20.3 An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.

5.20.4 An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.

5.20.5 An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

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

5.21 The contract shall record the following:

The contract for participation by the Company in a merger, demerger, acquisition, or transfer 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:

5.21.1 Handling of breach of contract.

5.21.2 Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished or that is demerged.

5.21.3 The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

5.21.4 The manner of handling changes in the number of participating entities or companies.

5.21.5 Preliminary progress schedule for plan execution, and anticipated completion date.

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

5.22 Other matters that the Company should consider when participating in a merger, demerger, acquisition or transfer of shares:

5.22.1 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.

5.22.2 After public disclosure of the information, if the 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, the Company 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 the Company's shareholders' meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, the Company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

5.22.3 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 No. 5.19, 5.22, and 5.22.2 of the Procedures.

5.23 When the Company acquires or disposes of assets, it 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.

5.24 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 comply with Article 5 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

5.25 With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall take into full consideration each independent director's opinions; the independent directors' opinions expressing assent or dissent and their reasons shall be included in the minutes of the Board of Directors meeting.

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

5.27 The Procedures shall be approved by one-half or more of all audit committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all audit committee members as required is not obtained, the Procedures shall be approved by two-thirds or more of all directors and submitted to the shareholders' meeting for approval after the Board of Directors' resolution, the same applies when the procedures are amended. 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.

5.28 The terms "all audit committee members" and "all directors" in the Procedures shall be counted as the actual number of persons currently holding those positions.

5.29 Appraisal report or opinion.

5.29.1 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.

5.29.2 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.