

# Procedures for the Acquisition and Disposal of Assets

Name of Regulation	Procedures for the Acquisition and Disposal of Assets
	<p>1. Purpose:</p> <p>These Procedures have been developed to safeguard assets and ensure information transparency.</p> <p>2. Legal basis:</p> <p>These Procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act (the "Act") and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the FSC. The provisions of another act shall prevail when it provides otherwise to these Procedures.</p> <p>3. Scope of Assets:</p> <p>3.1 Marketable securities: including stocks, bonds, corporate bonds, financial bonds, securities of commendable funds, depository receipts, subscription (sales) warrants, beneficiary securities, and asset-based securities.</p> <p>3.2 Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.</p> <p>3.3 Membership certificates.</p> <p>3.4 Intangible assets including patents, copyrights, trademarks, and licenses.</p> <p>3.5 Right-of-use assets.</p> <p>3.6 Financial institutions' claims (including receivables, bills purchased and discounted, loans, and overdue receivables).</p> <p>3.7 Derivative instruments.</p> <p>3.8 Assets acquired or disposed of through legal mergers, demergers, acquisitions or transfers of shares.</p> <p>3.9 Other significant assets.</p> <p>4. Terminology Definition:</p> <p>4.1 Derivative instruments: The term refers to contracts with values derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, price or rate indexes, credit ratings or credit indexes or other variables. Contracts include forward contracts, option contracts, futures contracts, leverage contracts, swap contracts, hybrid contracts consisting of the above contracts or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing</p>

contracts, or long-term purchase (sales) contracts.

- 4.2 Assets acquired or disposed of due to legal merger, demerger, acquisition or share transfer: Refer to the assets acquired or disposed of due to a merger, demerger or acquisition conducted in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, and other acts or due to acquisition of other company's shares (hereinafter referred to "share transfer") by issuing new shares pursuant to Article 156-3 of the Company Act.
- 4.3 Related parties and subsidiaries: The terms are determined by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.4 Professional appraisers: The term means real property appraisers or others who are legally permitted to engage in real property and equipment appraisal business.
- 4.5 Date of occurrence: The term means the date of contract signing for the transaction, payment date, consignment trade date, transfer date, resolution date of the Board of Directors or other dates on which the transaction party and amount can be ascertained, whichever is earlier. However, for investments for which approval by the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- 4.6 Investments in Mainland China: The term means investments in Mainland China are to be conducted in accordance with the Rules for Governing the Investment or the Technical Cooperation in Mainland China stipulated by the Investment Commission, Ministry of Economic Affairs.
- 4.7 Professionals of investment: Referring to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities dealers in self-operation or underwriting business, futures dealers in self-operation, securities investment trust enterprises, securities investment consultation enterprises, and fund management companies lawfully established in accordance with laws by the competent financial authorities of the jurisdiction where they are located.
- 4.8 Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- 4.9 Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the

Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

4.10 Net Value: Referring to the equity attributable to the owner of the parent company of the Company's latest balance sheet as audited and certified by the CPA.

5. Investment limit for real property and right-of-use assets and securities for non-business use:

The following are the limits on the above assets that the Company and its subsidiaries can acquire together:

5.1 The total non-operating property for business use and its right-of-use assets shall not exceed 100% of the Company's net value.

5.2 The total investment in securities shall not exceed 250% of the Company's net value.

5.3 The investment in individual securities shall not exceed 200% of the Company's net value.

6. Professional appraisers and their officers, CPAs, attorneys, and securities underwriters that provide the Company and its subsidiaries with appraisal reports, CPA's opinions, attorney's opinions or underwriter's opinions shall meet the following requirements:

6.1. Must 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 the completion of service of the sentence, the expiration of the period of a suspended sentence or if a pardon was received.

6.2 May not be a related party or de facto related party of any party to the transaction.

6.3 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.

6.4 The personnel referred to in the preceding paragraph shall comply with the following when issuing an appraisal report or opinion:

6.4.1 They shall prudently assess their own professional capabilities, practical experience, and independence prior to accepting a case.

6.4.2 They shall appropriately plan and execute adequate working procedures in order to produce a conclusion to be used as the basis for issuing the appraisal report or opinion when examining a case. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.

6.4.3 They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information to be used as the basis for issuing the appraisal report or the opinion.

6.4.4 They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

7. The procedures for acquiring or disposing of real property, equipment or its right-of-use assets shall include the following matters and comply with the prescribed procedures:

#### 7.1 Evaluation and Operating Procedures

The Company and its subsidiaries acquire or dispose of real property, equipment or its right-of-use assets, which shall be handled in accordance with these Procedures. Evaluation procedures shall include the method of price determination and reference basis, etc. Operating procedures shall include the level of authorization, level, execution unit, and transaction process.

#### 7.2 Transaction Procedures

The acquisition or disposal of assets by the Company and its subsidiaries in accordance with the prescribed procedures or other legal regulations shall be approved by the majority of the Company's Audit Committee and shall be passed by a resolution of the Board of Directors according to Article 17.2 and 17.3 of these Procedures.

#### 7.3 Execution Unit

The Company and its subsidiaries shall obtain approval according to their level of authority, and the transaction shall be carried out by the responsible department and managerial department when acquiring or disposing of real property, equipment or right-of-use assets.

#### 7.4 Evaluation Reports of Real Property, Equipment or Right-of-use Assets

If the transaction amount for the acquisition or disposal of real property or equipment by the Company and its subsidiaries, excluding transactions with domestic government agencies, construction of local land, construction of land leases or the acquisition or disposal of equipment or right-of-use assets for business use, reaches 20% of the Company's paid-in capital or more than NT\$300 million, the appraisal report issued by the professional appraiser shall be obtained before the date of occurrence (matters to be included in the appraisal report are set out in Annex I), and shall follow the procedures below:

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

7.4.2 Appraisals from two or more professional appraisers shall be obtained when the transaction amount is NT\$ 1 billion or more.

7.4.3 If a professional appraiser's appraisal meets any of the following conditions, a CPA shall be retained to handle the matter according to the Statement on Auditing Standards No. 20 published by the Accounting Research and Development Foundation in Taiwan unless the appraisal result of the assets acquired is higher than the transaction amount, and shall express specific opinions on the reasons for the difference and the transaction price:

7.4.3.1 The difference between the appraisal result and the transaction amount is more than 20% of the transaction amount.

7.4.3.2 The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

7.4.4 The difference in the date of reports presented by the professional appraiser and the date of entering into contracts shall not be more than three months. An opinion may still be issued by the original professional appraiser if the publicly announced current value for the same period is used and six months have not yet elapsed.

7.4.5 The evidence issued by the court may be substituted for the appraisal report or the CPA's opinion when the Company and its subsidiaries

acquire or dispose of assets through court auction procedures.

7.5 The calculation of the transaction amounts mentioned above shall be made in accordance with Article 14.2, 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.

7.6 Related party transactions, intangible assets or their right-of-use assets or member cards, derivatives transactions, business mergers, divisions, acquisitions or share transfers of the Company and its subsidiaries shall be handled in accordance with the foregoing regulations and Article 9, Article 10, Article 12, Article 13, and other relevant provisions of these Procedures.

#### 8. Procedures for Acquisition or Disposal of Marketable Securities Investment:

##### 8.1 Evaluation and Operating Procedures

The acquisition and disposal of marketable securities of the Company and its subsidiaries shall be handled in accordance with these Procedures.

##### 8.2 Determination of trading terms and level of authorization

8.2.1 Marketable securities trading in a centralized trading market or business premises of a securities firm shall be decided by the responsible unit according to the market conditions and general financial information of the Company. Transactions of NT\$300 million or less shall be approved by the Chairperson of the Board and reported at the next Board of Directors meeting. Transactions over NT\$900 million (inclusive) shall be approved by the Company’s Audit Committee and at the Board of Directors meeting.

8.2.2 The target company’s most recent financial statements verified or audited by CPAs shall be obtained and used as the reference for evaluating the transaction price, its net value per share, profitability, and its future development potential for marketable securities trading beyond a centralized trading market or business premises of a securities firm. Transactions below NT\$900 million (inclusive) shall be approved by the Chairperson of the Board and reported at the next Board of Directors meeting. Transactions over NT\$900 million shall be approved by the Company’s Audit Committee and at the Board of Directors meeting.

##### 8.3 Execution Unit

The Company and its subsidiaries shall obtain approval according to their level

of authority for investments in marketable securities, and the transaction shall be carried out by the responsible department.

#### 8.4 Obtain Expert Opinion

The Company and its subsidiaries shall, prior to the date of the acquisition or disposal of securities, obtain financial statements of the issuing company for the most recent period certified or reviewed by a CPA for reference in appraising the transaction price. 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 engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20, published by the ARDF. 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).

The calculation of the transaction amounts mentioned above shall be made in accordance with Article 14.2, 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.

#### 8.5 Transaction Procedures

The acquisition or disposal of assets by the Company and its subsidiaries in accordance with the prescribed procedures or other legal regulations shall be approved by the majority of the Company's Audit Committee and shall be passed by a resolution of the Board of Directors according to Article 17.2 and 17.3 of these Procedures.

### 9. Procedures for Related Party Transactions:

9.1 If the transaction amount for any acquisition or disposal of assets by the Company and its subsidiaries from or to a related party reaches 10 percent or more of the Company's total assets, the Company shall ensure that the provisions of Article 7, Article 8, and Article 10 of these Procedures are adopted, the reasonableness of the transaction terms is appraised, and obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with 14.2 of these Procedures, 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.

In addition to legal formalities, the de facto relationship shall also be considered when judging whether a transaction counterparty is a related party.

## 9.2 Evaluation and Operating Procedures

If the Company and its subsidiaries intend to acquire or dispose of real property to a related party or if it intends to acquire or dispose of assets other than real property to a related party, and the transaction amount either 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 the trading of government bonds, bonds under re-purchase and re-sale agreements or the 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 recognized by the Company's Audit Committee and approved by the Board of Directors:

- 9.2.1 The purpose, the necessity, and the anticipated benefits of the acquisition or the disposal of assets.
- 9.2.2 The reason for selecting the related party as a trading counterparty.
- 9.2.3 Information regarding the appraisal of the reasonableness of the preliminary transaction terms as per Article 3.1 and Article 3.4 for the acquisition of real property or right-of-use assets from a related party.
- 9.2.4 The acquisition date and price by the related party, the trading counterparty, and the relationship with the trading counterparty and the Company.
- 9.2.5 Monthly cash forecast for the year commencing from the anticipated month of contract signing, and the evaluation of the necessity of the transaction and rationality for the application of funds.
- 9.2.6 Appraisal reports from professional appraisers or the CPA's opinions in compliance with Article 7.4.
- 9.2.7 Restrictive terms and other important covenants associated with the transaction.

The calculation of the transaction amounts mentioned above shall be done in accordance with Article 14.2 of the Procedures, 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 recognized by the Company's Audit Committee and approved by the Board of Directors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries or between its subsidiaries (or sub-subsidiaries) in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may, pursuant to Article 7.1, delegate the Chairperson of the Board to decide such matters when the transaction is within a certain amount, and have the decisions subsequently submitted to and ratified by the Company's next Board of Directors meeting:

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

9.2.7.2 Acquisition or disposal of real property right-of-use assets held for business use.

The above-mentioned amount to be delegated to the Chairperson of the Board should be no more than NT\$200 million.

The Company has established the Audit Committee. The transactions shall be approved by the majority of the Audit Committee and passed by a resolution of the Board of Directors according to Article 17.2 and 17.3 of these Procedures.

### 9.3 Evaluate the reasonableness of the transaction costs.

9.3.1 The reasonableness of the transaction costs for the Company's acquisition of a real property or right-of-use assets from a related party shall be evaluated in accordance with the following methodology:

9.3.1.1 It shall be based on the related party's transaction price plus the necessary interest of funds and the cost of the obligation assumed by the buyer in accordance with the law. The "necessary interest on funding" is equal to the weighted average interest rate on borrowing in the year the company purchases the property, provided that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

9.3.1.2 The total loan value appraisal is to be from a financial institution

where the related party has previously created a mortgage on the property as security for a loan provided that 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 that the period of the loan shall have been 1 year or more. However, this shall not apply if the financial institution is a related party of one of the transaction counterparties.

- 9.3.2 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 if the land and structures within it are combined as a single property purchased or leased in one transaction.
- 9.3.3 The Company and its subsidiaries shall appraise the cost of the real property or the right-to-use assets in accordance with Article 3.1 and Article 3.2 when acquiring real property or the right-of-use assets from a related party. The Company shall also engage a CPA to verify and provide a specific opinion on the appraisal.
- 9.3.4 If the related party transactions of the Company and its subsidiaries are evaluated to be lower than the transaction price as per Article 3.1 and Article 3.2, it shall instead be handled in accordance with Article 3.5. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
  - 9.3.4.1 If the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - 9.3.4.1.1 The total amount of the undeveloped land value assessed with the method stipulated in the preceding article and the value of the house calculated according to the construction cost plus a reasonable construction profit of the related person exceeds the actual transaction price. The "Reasonable construction profit" shall be deemed as 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.

9.3.4.1.2 Completed transactions by unrelated parties within the preceding year involving other floors of the same property, neighboring property 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.

9.3.4.2 If the Company and its subsidiaries are to acquire real property or obtain real property right-of-use assets through leasing, the related party shall provide evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block, and is within a distance of no more than 500 meters or those parcels that are 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.

9.3.5 If the Company and its subsidiaries are to acquire real property or the right-of-use assets from a related party, and the results of appraisals conducted in accordance with Article 3.1 to Article 3.4 are lower than the transaction price, then the following steps shall be taken:

9.3.5.1 The Company shall set aside a special reserve in accordance with Article 41, paragraph 1 of the Act against the difference between the transaction price of the real property or right-of-use assets and the appraised cost, and it may not be distributed or used for capital increase or issuance of bonus shares.

9.3.5.2 Independent Director members of the Audit Committee shall

comply with Article 218 of the Company Act.

- 9.3.5.3 Actions taken pursuant to Article 3.5.1 and Article 3.5.2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and in any investment prospectus.
- 9.3.5.4 The Company has set aside a special reserve under the preceding paragraph, and it may not utilize the special reserve until it has recognized a loss on decline in the market value of the assets it purchased or leased at a premium, they have been disposed of, the leasing contract has been terminated, adequate compensation has been made, the status quo ante has been restored or there is other evidence confirming that there was nothing unreasonable about the transaction, and the GSC has given its consent.
- 9.3.5.5 If the Company is to obtain real property or right-of-use assets from a related party, it shall also comply with Article 3.5.1 to Article 3.5.4 if there is other evidence indicating that the acquisition was not an arms length transaction.
- 9.3.5.6 If the transaction cost assessed by the subsidiaries as per Article 3.1 to Article 3.4 is lower than the transaction price, the Company shall set aside a special reserve against the difference between the transaction price of the real property or right-of-use assets and the appraised cost.
- 9.3.6 If the Company is to acquire real property or right-of-use assets from a related party, and it meets one of the following circumstances, the acquisition shall be conducted in accordance with Article 1 and Article 2 governing evaluation and operating procedures. Article 3.1 to Article 3.3 governing the evaluation of the reasonableness of the transaction costs is not applicable.
  - 9.3.6.1 The related party acquired the real property or right-of-use assets through inheritance or as a gift.
  - 9.3.6.2 More than five years has elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets to the signing date for the current transaction.
  - 9.3.6.3 The real estate is acquired through the signing of a joint development contract with the related party through engaging

others to build on the company's own land, or through engaging others to build on rented land, etc.

9.3.6.4 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.

10. Procedures for acquiring or disposing of intangible assets or right-of-use assets or membership certificates are as follows:

10.1 Evaluation and Operating Procedures

The acquisition or disposal of intangible assets, the right-of-use asset or the membership certificate by the Company and its subsidiaries shall be conducted in accordance with these Procedures.

10.2 Determination of trading terms and level of authorization

10.2.1 The Company and its subsidiaries in the acquisition or disposal of membership certificates shall refer to a fair market price, determine the transaction conditions and prices, prepare an analysis report, and submit it to the Chairperson of the Board. An amount below 1% of the paid-in capital or NT\$6 million shall be submitted to the Chairman of the Board for approval and reported at the Company's next Board of Directors meeting. An amount over NT\$6 million shall be approved by the Company's Audit Committee and by the Board of Directors.

10.2.2 The acquisition or disposal of intangible assets or right-of-use assets shall refer to the expert assessment report or the fair market value. The analysis of the trading conditions and the transaction price shall be submitted. An amount less than NT\$50 million shall be submitted to the Chairperson of the Board for approval and shall be reported at the next Board of Directors meeting. For transactions exceeding NT\$50 million, approval from the Board of Directors shall be obtained prior to execution.

10.3 Execution Unit

The Company and its subsidiaries shall obtain approval according to their level of authority when acquiring or disposing of intangible assets, right-of-use assets or membership certificates, and the transaction shall be carried out by the responsible department and managerial department.

10.4 Expert evaluation report on intangible assets, right-of-use assets or membership certificates

If the Company acquires or disposes of intangible assets, right-of-use assets 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; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

10.5 The calculation of the transaction amounts mentioned above shall be made in accordance with Article 14.2, 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.

10.6 The acquisition or disposal of assets by the Company and its subsidiaries in accordance with the prescribed procedures or other legal regulations shall be approved by the majority of the Company's Audit Committee and shall be passed by a resolution of the Board of Directors according to Article 17.2 and Article 17.3 of these Procedures.

## 11. Procedures for Acquisition or Disposal of Claims of Financial Institutions

In principle, the Company and its subsidiaries do not engage in the transaction of acquiring or disposing of the creditor’s rights of financial institutions. If they later intend to engage in the transaction of acquiring or disposing of the creditor’s rights of financial institutions, they shall be subject to the approval of the Audit Committee and the approval of the Board of Directors before formulating its evaluation and operational procedures.

## 12. Procedures for Acquisition or Disposal of Derivatives

### 12.1 Transaction Principles and Policies

#### 12.1.1 Type of Transaction

12.1.1.1 Derivatives which the Company and its subsidiaries engage in refer 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, credit index or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products with 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.

12.1.1.2 Matters relating to bond margin trading shall be handled in accordance with the relevant provisions of these Procedures. Bond transactions with redemption conditions are not applicable to these Procedures.

## 12.1.2 Operating or Hedging Strategies

Derivatives transactions of the Company and its subsidiaries should focus on hedging of the interest rate, exchange rate, and of derivative risks arising from the Company's business operations. The Company's receivables and payables or assets and liabilities arising from its daily business are hedged on the net position after maturity, amount, and currency offset. Hedging of interest rate and exchange rate risks shall be made for the receivables and payables arising from normal business operations or the net position after offsetting the maturity date, amount, and currency of assets and liabilities.

In addition, hedging of transactions for special purposes arising from business operations shall be reported to the Chairman of the Board for approval.

The procedures for handling foreign exchange derivatives transactions by the Company and its subsidiaries are prepared by the responsible unit and issued after being approved by the Chairperson of the Board. Subsequent amendments thereto shall be effected in the same manner.

## 12.1.3 Division of Labor

12.1.3.1 The transaction and confirmation officer of a derivative transaction shall be appointed by the Chairperson of the Board. Transaction, confirmation, and settlement officers may not serve concurrently in other positions. The transaction counterparties shall be notified of the appointment and dismissal of the transaction and confirmation officers before the effective dates to safeguard the Company's interests.

### 12.1.3.2 Authorized Limits of Derivatives

12.1.3.2.1 Authorized limits and levels are as follows:

Maximum amount of each transaction	Maximum amount for a single day
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CEO	USD10 million	USD30 million
Direct Supervisor of the Financial Manager	USD5 million	USD10 million
Financial Manager	USD3 million	USD6 million

12.1.3.2.2 After the completion of each transaction, internal written approval must be obtained in accordance with the following amounts.

Maximum amount of each transaction

CEO + Direct Supervisor of the Financial Manager	USD10 million
Direct Supervisor of the Financial Manager + Financial Manager	USD5 million

12.1.3.2.3 The authorized transaction limit and the level specified in this article shall be notified in writing to the counterparties to ensure they comply with the Company's supervision and management procedures.

12.1.3.2.4 May formulate strategies for transactions for special purposes, based on forecasted market changes, as needed, but must submit them to the Chairperson of the Board for approval before proceeding.

12.1.3.2.5 Material derivatives transactions shall be approved by the majority of the Company's Audit Committee, and submitted to the Company's Board of Directors for resolution. Article 17.2 and Article 17.3 of these Procedures shall be adopted.

### 12.1.3.3 Performance Assessment

#### 12.1.3.3.1 Hedging Transaction

12.1.3.3.1.1 Gains and losses generated by transactions of financial derivatives engaged in due to exchange and interest rate costs associated with the Company's accounts shall constitute the basis of performance assessments.

12.1.3.3.1.2 The Company and its subsidiaries evaluate the profit and loss using the monthly evaluation method to fully

control and express the evaluation risk of the transaction.

#### 12.1.3.3.2 Transactions for Special Purposes

The actual profit and loss are used as the performance evaluation basis, and the certified public accountants must regularly report the parts to management as reference.

#### 12.1.3.4 Setting of Maximum Transaction Amount and Loss

##### 12.1.3.4.1 Transaction amount

##### 12.1.3.4.1.1 Transaction Limit of Hedging Transactions

Daily hedging transaction amounts shall not exceed the Company's overall net position.

##### 12.1.3.4.1.2 Transactions for Special Purposes

Limited to capital expenditures, corporate bonds, and long-term investments. The actual amount shall be the maximum hedging amount.

##### 12.1.3.4.2 Setting of Maximum Loss

12.1.3.4.2.1 A clear stop-loss exchange rate and interest rate of equivalent to 10% of the amount of the transaction approval order shall be set after establishing a trading position. The stop-loss limit shall be recorded in the transaction approval order, and approved according to the authorized limit table. Market changes shall be closely monitored during the existence of the position. Stop-loss procedures shall be executed once the interest rate or derivatives reach the stop-loss limit.

12.1.3.4.2.2 In principle, for hedging positions with clear trading positions, transactions shall

not be terminated in advance as a result of reaching the stop-loss limit.

## 12.2 Risk Management Measures

### 12.2.1 Credit Risk Management

The transaction target is limited to the bank or an internationally renowned financial institution with existing business relationships with the Company, and the purpose is for providing professional information.

### 12.2.2 Market Risk Management

The Company and its subsidiaries shall manage risk to reduce the impacts from market price fluctuation caused by interest rates, exchange rates or other factors of derivatives.

### 12.2.3 Liquidity Risk Management

Trading financial institutions shall possess sufficient information and the ability to trade in any market at any time in order to ensure market liquidity.

### 12.2.4 Cash Flow Risk Management

The Company shall pay attention to its foreign currency cash flow at all times to ensure sufficient foreign cash flow for settlement and to maintain stability in its working capital needs.

### 12.2.5 Operational Risk Management

The personnel shall abide by the amount authorized by the Company and operating procedures to avoid operational risks.

### 12.2.6 Commodity Risk Management

Internal transaction officers shall possess complete and accurate professional knowledge on financial products, and require the bank to fully disclose risks to avoid loss due to misuse of financial products.

### 12.2.7 Legal Risk Management

Any document signed with a financial institution shall be inspected by the Company's legal department or legal consulting experts prior to official signing to prevent legal risks.

### 12.2.8 Risk measurement, monitoring, and control personnel shall be assigned to a different department with the transaction, confirmation, and settlement officers, and shall report to the Board of Directors or senior

management that is not responsible for the decision-making of trading positions.

### 12.3 Internal Audit System

12.3.1 The Company's internal auditors shall periodically make a determination of the suitability of internal controls on derivatives of the Company and its subsidiaries, and conduct a monthly audit of how faithfully foreign exchange derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, analyze its transaction circulation, and prepare an audit report. If any material violation is discovered, the Company's Audit Committee shall be notified in writing.

12.3.2 The Company's internal auditors shall file the auditing report and the implementation status for the annual auditing plans of internal audits to the competent authority before the end of February of the coming year and shall also report on the status of improvements made for any abnormal affairs to the competent authority before the end of May of the coming year.

### 12.4 Regular Evaluation Methods

12.4.1 The Board of Directors shall authorize senior management personnel for periodic supervision and evaluation on the compliance of foreign exchange derivatives transactions, and whether the risk that it bears is within the extent permitted. If there are any exceptional conditions in the market value assessment report (such as if the holding position has exceeded the limit), countermeasures shall be adopted and reported to the Board of Directors immediately.

12.4.2 Positions held in derivatives transactions shall be assessed at least once a week. Assessments shall be undertaken at least twice a month for hedging trades for business needs. The evaluation report shall be sent to the senior managers delegated by the Board of Directors.

### 12.5 The supervision and management principles of the Board of Directors when engaging in derivative commodity transactions

12.5.1 The Board of Directors shall appoint high-level supervisors to pay attention to the supervision and control of the risk of derivative commodity trading at any time. The management principles are as follows:

12.5.1.1 Periodically evaluate whether the current risk management

measures are appropriate and faithfully conducted in accordance with these Procedures and the procedures for engaging in derivatives trading established by the Company.

12.5.1.2 Supervise the trading and profit and loss situation, and take necessary countermeasures in case of any abnormality, and immediately report it to the Board of Directors; the Board of Directors shall have Independent Directors present and express their opinions.

12.5.2 The performance of derivatives transactions shall be periodically evaluated on whether it is in compliance with the established operating strategies, and whether it can undertake this risk within the Company's permitted scope.

12.5.3 The Company shall authorize relevant personnel to handle the procedures for derivatives transactions in accordance with the procedures for dealing with foreign exchange derivatives transactions, and shall report it at the next Board of Directors meeting.

12.5.4 The Company and its subsidiaries shall establish a reference book that includes details of the types and amounts of derivatives transactions, approval dates of the Board of Directors, and matters to be assessed carefully according to Article 4.2, Article 5.1, and Article 5.2.

### 13. Procedures for Merger, Demerger, Acquisition or Transfer of Shares

#### 13.1 Evaluation and Operating Procedures

13.1.1 The Company and its subsidiaries shall engage a lawyer, CPA, and underwriter to engage in the legal procedure schedule while handling merger, demerger, acquisition or transfer of shares, and establish a project team to follow the schedule according to the statutory procedures. Moreover, prior to convening the Board of Directors to resolve the matter, it shall engage a CPA, attorney or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. A subsidiary that the Company merged or indirectly holds 100% of the total issued shares or capital, is directly or indirectly interested in the combined shares or the aggregate of the issued shares or the total capital of the subsidiaries, is exempted from having to submit the aforementioned expert opinion on reasonableness.

13.1.2 The Company and its subsidiaries 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 the meeting notice of the Shareholders' Meeting for reference in deciding whether to approve the merger, demerger or the acquisition. If a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger or acquisition, then this restriction shall not apply. In addition, if 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 any other legal restriction, 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.

### 13.2 Other Noteworthy matters

#### 13.2.1 Date of the Board of Directors meeting:

Merger, demerger or acquisition of the Company shall convene a Board of Directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, demerger or the acquisition unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. The Company shall call a Board of Directors meeting on the day of the share transfer unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

#### 13.2.2 Listed or OTC companies participating in the merger, demerger, acquisition or a transfer of shares shall make a complete written record of the following information and retain it for five years.

13.2.2.1 Basic Information of the Party: including titles, names, ID numbers (passport numbers for foreigners) of all the members participating in plans for a merger, demerger, acquisition or a transfer of shares or its executors.

13.2.2.2 Dates of Material Events: including dates of the signing of a letter of intent or memorandum, delegation of financial or legal advisers, signing of contracts, and the Board of Directors meetings.

13.2.2.3 Material Documents and Minutes: including the plans for a merger, demerger, acquisition or a transfer of shares, letter of intent or memorandum, material contracts, and Board of Directors meeting minutes.

13.2.3 A company that is participating in a merger, demerger, acquisition or a transfer of another company's shares and is listed on an exchange or has its shares traded on an OTC market shall within 2 days,

13.2.4 If any of the companies participating in a merger, demerger, acquisition or a transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the listed or traded company(s) shall sign an agreement with the unlisted company whereby the latter is required to abide by the Article 2.2 and Article 2.3.

13.2.5 An undertaking of confidentiality:

Every person participating in or privy to the plan for merger, demerger, acquisition or a transfer of shares shall issue a written undertaking of confidentiality and 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 a transfer of shares.

13.2.6 The formulation and amendment principle for the change of shareholding or acquisition price: The Company's participation in a merger, demerger, acquisition or a share transfer shall not be changed except for the shareholdings and acquisition price unless the following situation occurs. Changes shall be clearly stated in the contracts for the merger, demerger, acquisition or the share transfer.

13.2.6.1 Cash capital increase, issuance of convertible corporate bonds, stock dividends, issuance of corporate bonds with stock rights, preferred stock with stock rights, evidence of stock rights, and other equity-based marketable securities.

13.2.6.2 The disposal of the Company's major assets or other conduct that affects the Company's financial business.

13.2.6.3 Events such as a material disaster or material change in technique affects the Company's shareholders' equity or securities price.

- 13.2.6.4 The adjustment of any one of the companies participating in merger, demerger, acquisition or a transfer of shares repurchases treasury shares in accordance with the law.
- 13.2.6.5 Entities participating in a merger, demerger, acquisition or a transfer of shares or the number of entities increases or decreases.
- 13.2.6.6 Other terms stipulated in the contract may be altered, and they have already been publicly disclosed.
- 13.2.7 Matters to be included in the contract: If the Company participates in a merger, demerger, acquisition or a stock transfer, the contract shall clearly record the rights and obligations therein as well as the following matters:
- 13.2.7.1 Processing a breach of contract.
- 13.2.7.2 The handling principles for issued equity-based marketable securities or repurchased treasury shares prior to Company's cancellation because of merger or demerger.
- 13.2.7.3 The repurchase amount in treasury shares and the handling principles in accordance with the law after the calculation of the share exchange ratio.
- 13.2.7.4 The handling manner of entities involved or the number of entities increases or decreases.
- 13.2.7.5 Anticipated execution progress plans and anticipated completion schedules.
- 13.2.7.6 The procedures for setting an expected date of a shareholders' meeting according to the laws and regulations for overdue and incomplete plans.
- 13.2.8 If there is a change in the number of companies participating in the merger, demerger, acquisition or a share transfer, then: After public disclosure of this information, if any company participating in the merger, demerger, acquisition or a share transfer intends to proceed 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 the share transfer except when the number of participating companies decreases 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 then be exempted from calling another shareholders' meeting to resolve on the matter anew.

13.2.9 If any of the companies participating in a merger, demerger, acquisition or a transfer of shares is not a public company, then the Company shall sign an agreement with the non-public company in accordance with Article 2.1 to Article 2.5 and Article 2.8.

#### 14. Information Disclosure Procedures:

##### 14.1 Matters, standards, and terms to be announced and declared

The Company and its subsidiaries shall make a public announcement for the acquisition or disposal of assets and file it in the prescribed format based on the nature of the transaction at websites designated by the FSC within two days, commencing immediately from the date of occurrence, under the following circumstances:

14.1.1 The acquisition or disposal of real property or right-of-use assets from or to an affiliate or the acquisition or disposal of assets other than real property or other than right-of-use assets from or to an affiliate where the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets or NT\$300 million or more except in the trading of domestic government bonds, bonds under repurchase and resale agreements or of subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

14.1.2 Merger, stock split, acquisition or a transfer of shares.

14.1.3 Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.

14.1.4 Where equipment or right-of-use assets for business use are acquired or disposed of, the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:

14.1.4.1 The transaction amount reaches NT\$500 million or more for a public company whose paid-in capital is less than NT\$10 billion.

14.1.4.2 The transaction amount reaches NT\$1 billion or more for a public company whose paid-in capital is NT\$10 billion or more.

14.1.5 The public offering company engaging in construction business obtains or disposes of the real property for construction or its right-of-use assets,

and the transaction counterparty is not a related party, and the transaction amount is more than NT\$ 500 million; a public offering company with more than NT\$10 billion of paid-in capital disposes of self-constructed real property and the transaction counterparty is not a related party, and the transaction amount is more than NT\$1 billion.

14.1.6 In instances where real property is acquired under an arrangement on engaging others to build on the Company's self-owned land, to build on rented land, for joint construction and allocation of housing units, for joint construction and allocation of ownership percentages or for joint construction and separate sale, and the trading counterparty is not a related party, and the amount the Company expects to invest in the transaction is NT\$500 million or above.

14.1.7 In instances where an asset transaction other than any of those referred to in the preceding six subparagraphs, the disposal of receivables by a financial institution or an investment in the Mainland China area reaches 20 percent or more of the Company's paid-in capital or NT\$300 million except in the following circumstances:

14.1.7.1 Trading of domestic government bonds.

14.1.7.2 Securities trading on securities exchanges or OTC markets, subscription of ordinary corporate bonds, general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, subscription or redemption of securities investment trust funds or futures trust funds, subscription of securities by a securities firm 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, and as done by professional investors.

14.1.7.3 Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic money market funds.

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

14.2.1 The amount of any individual transaction.

14.2.2 The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.

- 14.2.3 The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets within the same development project within the preceding year.
- 14.2.4 The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals respectively) of the same marketable securities within the preceding year.
- 14.3 "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 these Procedures need not be counted toward the transaction amount.
- 14.4 The Company shall update the status of derivative trading of the Company and its subsidiaries that are not domestic public companies as of the end of the previous month in the prescribed format at the information filing website designated by the FSC under the Executive Yuan by the tenth of each month.
- 14.5 If the Company and its subsidiaries, at the time of public announcement, makes an error or omission in an item required by regulations to be publicly announced and is required to correct it, all items shall be publicly announced and reported on again in their entirety within two days of knowing of such an error or omission, inclusive of the date of the occurrence.
- 14.6 The Company and its subsidiaries shall keep all relevant contracts, meeting minutes, log books, appraisal reports, certified public accountant, attorney, and securities underwriter opinions at the Company when acquiring or disposing of assets, where they shall be retained for 5 years except where another Act provides otherwise.
- 14.7 If any of the following circumstances occurs with respect to a transaction that the Company and its subsidiaries have already publicly announced and reported in accordance with Article 14.1 to Article 14.6, 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:
- 14.7.1 Change, termination or rescission of original signed contracts.
- 14.7.2 The merger, demerger, acquisition or the transfer of shares are not completed by the scheduled date set forth in the contract.
- 14.7.3 Change to the original publicly announced information.

#### 14.8 Announcement Format

- 14.8.1 Please refer to attachment II for the announcement format of the matters and contents to be announced for securities trading by the Company and its subsidiaries in domestic and overseas centralized trading markets or OTC markets.
- 14.8.2 Please refer to attachment III for the announcement format of the matters and contents to be announced for acquiring real property under an arrangement on engaging others to build on the Company's own land, on engaging others to build on its own land, on engaging others to build on rented land, for joint construction and allocation of housing units, for joint construction and allocation of ownership percentages or for joint construction and separate sale.
- 14.8.3 Please refer to attachment IV for the announcement format for the acquisition or disposal of real property, equipment or right-of-use assets .
- 14.8.4 Please refer to attachment V for the announcement format for marketable securities, intangible assets or its right-of-use assets that are not purchased at centralized trading markets or OTC markets, and the disposal of receivables by a financial institution.
- 14.8.5 Please refer to attachment VI for the announcement format for investment in Mainland China.
- 14.8.6 Please refer to attachment VII-1 for the announcement format for derivative trading within 2 days, counting inclusively from the date of occurrence.
- 14.8.7 Please refer to attachment VII-2 for the announcement format for derivative trading by the 10th day of each month.
- 14.8.8 Please refer to attachment VIII for the announcement format for a merger, demerger, acquisition or a transfer of shares.

#### 15. The Company's subsidiaries shall comply with the following provisions:

- 15.1 The Company's "Procedures for the Acquisition and Disposal of Assets" shall apply for the acquisition or disposal of assets by its subsidiaries. All subsidiaries are not required to formulate procedures for the acquisition and disposal of assets.

The Company shall urge all subsidiaries to handle related matters in accordance with these Procedures. If it is necessary for a subsidiary to

formulate procedures for the acquisition and disposal of assets due to business needs or legal regulations, it shall establish and implement the Regulations Governing the Acquisition and Disposal of Assets by Public Companies. The procedures shall be approved by the subsidiary's Board of Directors and submitted to the subsidiary's shareholders' meeting for approval. Subsequent amendments thereto shall be effected in the same manner.

- 15.2 Except for Articles 5, 9.3.5, 11, and 12.3, when these Procedures are implemented in the subsidiaries, the Company referred to in each article refers to subsidiaries.
- 15.3 When these Procedures are implemented in the subsidiaries, The responsibilities of the shareholders' meeting, Board of Directors, Audit Committee, Chairperson of the Board, and Independent Directors set out in these Procedures shall be handled by the authority under the local laws and regulations of the subsidiary due to the differences in the local laws and regulations of the subsidiaries.
- 15.4 The Company shall report on behalf of any subsidiaries that is not itself a public company in Taiwan for information required to be publicly announced and reported in accordance with Article 14.1 to Article 14.7 with regard to the acquisition and disposal of assets.
- 15.5 The paid-in capital or total assets of the parent company or its total assets set out in the latest consolidated or individual financial report shall be the standard applicable to a subsidiary in determining whether, relative to 20% of paid-in capital, 10% of total assets, or NT\$10 billion of paid-in capital, it reaches a threshold requiring public announcement and regulatory filing under Article 14.1. In addition, the paid-in capital or total assets of the subsidiary shall be the standard applicable to a subsidiary in determining whether to obtain expert opinions under Articles 7 to 10 and the trading procedures for transactions with related parties under Article 9.
- 15.6 Subsidiaries intended to engage in derivatives transactions are still required to formulate and implement rules for over-the-counter trading of financial derivatives and procedures for copper bush protection in accordance with the parent company's "Procedures for the Acquisition and Disposal of Assets" and "Regulations Governing Over-the-Counter Trading of Financial Derivatives."
- 15.7 After a material asset or derivatives transaction is approved by the subsidiary's Board of Directors, it shall be submitted to the latest Audit Committee and Board of Directors meeting of the parent company.

**16. Penalty:**

The Company and its subsidiaries shall regularly report and assess any violations of the procedure by their employees in accordance with the personnel management regulations and the Employee's Manual, and impose penalties according to the seriousness of the case.

**17. Implementation and Amendments:**

17.1 If an Audit Committee has been established by the Company in accordance with the provisions of the Act, and if the procedures for the acquisition and disposal of assets are adopted or amended, then they shall be approved by one-half or more of all Audit Committee members, submitted to the Board of Directors for a resolution, and then approved at a shareholders' meeting.

17.2 If approval by more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures 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 Board of Directors meeting minutes.

17.3 The terms "all Audit Committee members" in paragraph 1 and "all Directors" in the preceding paragraph refer to the actual number of persons currently holding those positions.

**18. Supplementary Provisions:**

Any matters not set forth in these Procedures shall be handled in accordance with the applicable laws and regulations.