



Procedure for the Acquisition and Disposal of Assets

Article 1 Purpose and Legal Basis

The Procedure is formulated in accordance with Article 36-1 of the Securities and Exchange Act (hereinafter referred to as “the Act”) and the regulations of the competent authorities and relevant laws and regulations with the aim of protecting assets and implementing information disclosure.

Article 2 Scope of Assets

- I. Securities: Includes 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.
- II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Intangible assets: Includes patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

Article 3 Definitions of terms

- I. 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.
- II. 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.

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

Article 4 Amounts invested in real property and right-of-use assets thereof or securities:

In addition to obtaining assets for business use according to actual need, the Company may invest in and purchase securities and real property for non-business use. The limits of the right-of-use assets thereof are as follows:

- I. The total amount of real property for non-business use and right-of-use assets thereof or securities purchased may not exceed 200% of the shareholders' equity in the most recent financial reports audited or reviewed by a certified public accountant (CPA).
- II. Short-term investment in securities may not exceed 60% of shareholders' equity in the most recent financial reports audited or reviewed by a certified public accountant.
- III. The limit of short-term investment in a single security may not exceed 30% of the total short-term investment in securities.

Article 5 Processes for Acquiring or Disposing of Real Property, Equipment, or Right-of-Use Assets Thereof

- I. Assessment and Operating Procedures

The Company's acquisition or disposal of real property, equipment, or right-of-use assets thereof shall be handled in accordance with the Company's internal control system and fixed asset cycle procedures.

II. Procedure for Determining Transaction Conditions and Authorized Amounts

- (I) When acquiring or disposing of real property, the announced current value, appraised value, actual transaction price of neighboring real property, etc., are referenced to determine the transaction conditions and transaction price, and to prepare an analysis report and submit it to the Chairman. It must be approved by the Chairman and subsequently reported to the recent board meeting; Those exceeding NT\$50 million must be approved by the Board of Directors.
- (II) For acquisition or disposal of real property, equipment, or right-of-use assets thereof, one method must be chosen among price inquiry, price comparison, negotiation or bidding; if the amount is less than NT\$50 million (inclusive), it should be approved according to the authorization method of approval by each level of authority; Those exceeding NT\$50 million must be approved by the Board of Directors after being approved by the Chairman.
- (III) 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 submit the director's dissenting opinion to the Audit Committee. When the transactions in the acquisition or disposal of assets by the Company is proposed for discussion by the Board of Directors in accordance with regulations, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by Independent Directors must be detailed in Board meeting minutes.

III. Implementation Unit

When the Company acquires or disposes of real property, equipment, or right-of-use assets thereof, it shall submit for approval in accordance with approval authority stipulated in the preceding paragraph; the using department and management unit shall be responsible for execution.

IV. Disposition Procedures

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 following provisions:

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same applies to subsequent changes to the transaction conditions.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.

- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - 1. Where the discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - 2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. However, 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.

Article 6 Investment Processing Procedures for the Acquisition or Disposal of Securities

- I. Assessment and Operating Procedures

The purchase and sale of long-term and short-term securities of the Company shall be handled in accordance with the Company's internal control system and investment cycle procedures.
- II. For investment in bonds, bond funds, and financial products with risks equal to or less than bonds and bond funds, the trading conditions and amounts are: The purchase and sale of securities on the centralized exchange market or the business office of a securities firm shall be determined by the responsible unit based on judgment through market research, and the amount may not exceed 60% of the shareholders' equity in the most recent financial report audited or reviewed by a certified public accountant.
- III. Securities other than the financial products mentioned in Article 6, Paragraph 2:
 - (I) Procedure for Determining Transaction Conditions and Authorized Amounts
 - 1. The trading of securities on centralized trading markets, financial institutions, or the business offices of securities firms shall be determined by the responsible trading unit according to market conditions. If the amount is less than NT\$50 million (inclusive), it shall be handled according to the Company regulations on approval authority by the supervisors of relevant units at different levels; If the single transaction amount exceeds NT\$50 million, it must be approved by the Board of Directors or authorized by the Chairman of the board and submitted to the Board of Directors for ratification.
 - 2. For the purchase and sale of securities not on the centralized exchange market or the business office of a securities firm, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, audited or reviewed by a certified public accountant, for reference in appraising the transaction price; also to be considered are its net worth per share, profitability, and future development potential, etc., if the amount of which is less than NT\$50 million (inclusive), it shall be handled according to the Company regulations on approval

authority by the supervisors of relevant units at different levels; If the single transaction amount exceeds NT\$50 million, it must be approved by the Board of Directors or authorized by the Chairman of the board and submitted to the Board of Directors for ratification.

3. 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 submit the director's dissenting opinion to the Audit Committee. When the transactions in the acquisition or disposal of assets by the Company is proposed for discussion by the Board of Directors in accordance with regulations, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by Independent Directors must be detailed in Board meeting minutes.

IV. Implementation Unit

When the Company invests in long-term and short-term securities, it shall be subject to the approval authority of the long-term and short-term investment regulations, and the financial unit shall be responsible for their implementation.

V. Obtain expert opinion

If the dollar amount of the acquiring or disposing of securities 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 securities with publicly quoted prices from an active market, or where other regulations of the competent authority prevail.

Article 7 Procedures for Related Party Transactions

- I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the following provisions. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 13, Paragraph 1, Subparagraph (6). When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

- II. Assessment and Operating Procedures

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities

investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by one half of the members of the Audit Committee and passed by the Board of Directors. Or the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting before signing the transaction contract and making payment:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3, Subparagraphs (1) and (4) of this Article.
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the fund utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between a public company and its parent or 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 pursuant to Article 5, Paragraph 2, delegate the board Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

- (I) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (II) Acquisition or disposal of real property right-of-use assets held for business use.

Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the Board of Directors pursuant to Paragraph 1, 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.

If a public company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of paragraph 1 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 public company and its parent company or subsidiaries or between its subsidiaries. The calculation of the transaction amounts referred to in paragraph 1 and the preceding paragraph shall be made in accordance with Article 13, Paragraph 1, Subparagraph (6) 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 supervisors need not be counted toward the transaction amount.

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

III. Reasonableness assessment of transaction costs

(I) 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 may not apply where the financial institution is a related party of one of the trading counterparties.

(II) 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.

(III) When the Company 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, it shall also engage a CPA to check the appraisal and render a specific opinion.

(IV) 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 Paragraph 3, Subparagraphs (1) and (2) of this Article are uniformly lower than the transaction price, it shall process in accordance with Paragraph 3, Subparagraph (5) of this Article. 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 may not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) 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.
 - (2) 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 is acquiring real property or obtaining real property right-of-use assets through leasing from a related party and provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving neighboring or closely valued parcels of land in the preceding 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.
- (V) 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 Paragraph 3, Subparagraphs (1) and (2) of this Article 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. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
 2. The members of the Audit Committee shall comply with Article 218 of the Company Act.

3. Actions taken pursuant to Paragraph 3, Subparagraph (5), items 1 and 2 of this Article shall be reported to a General Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and investment prospectus.
4. When the Company has set aside a special reserve under the preceding, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the competent authority has given its consent.

(VI) When the Company acquires real property from a related party, if there is one of the following circumstances, it shall proceed with evaluation and operation procedures in accordance with the provisions of Paragraphs 1 and 2 of this Article, and Paragraph 3, Subparagraphs (1), (2), (3) of this Article may not apply on the reasonableness assessment of transaction costs:

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.

(VII) When the Company obtains real property from a related party, it shall also comply with Paragraph 3, Subparagraph (5) of this Article if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 8 Processes for Acquiring or Disposing of Memberships or Intangible Assets or Right-of-Use Assets Thereof

I. Assessment and Operating Procedures

The Company's acquisition or disposal of membership or intangible assets or the right-of-use assets thereof shall be handled in accordance with the Company's internal control system and investment cycle procedures.

II. Procedure for Determining Transaction Conditions and Authorized Amounts

1. When acquiring or disposing of membership, the fair market price is referenced to determine the transaction conditions and transaction price, and to prepare an analysis report and submit it to the Chairman. If the amount is less than 1 percent of the paid-in capital of the Company or under NT\$5 million, it must be approved by the Chairman and subsequently reported to the recent board meeting; Those exceeding NT\$5 million must be approved by the Board of Directors.

2. When acquiring or disposing intangible assets or the right-of-use assets thereof, the expert assessment report or fair market price is referenced to determine the transaction conditions and transaction price, and to prepare an analysis report and submit it to the Chairman. If the amount is less than 10 percent of the paid-in capital of the Company or under NT\$50 million, it must be approved by the Chairman and subsequently reported to the recent board meeting; Those exceeding NT\$50 million must be approved by the Board of Directors.
3. 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 submit the director's dissenting opinion to the Audit Committee. When the transactions in the acquisition or disposal of assets by the Company is proposed for discussion by the Board of Directors in accordance with regulations, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by Independent Directors must be detailed in Board meeting minutes.

III. Implementation Unit

When the Company acquires or disposes of membership or intangible assets, it shall submit for approval in accordance with approval authority stipulated in the preceding paragraph; the using department and Financial Department or Administrative Department shall be responsible for execution.

IV. Expert assessment report on membership or intangible assets or on right-to-use assets thereof

Where the Company acquires or disposes of memberships, intangible assets, or right-of-use assets thereof 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 calculation of the transaction amounts referred to in the preceding paragraph shall be done in accordance with Article 13, Paragraph 1, Subparagraph (6) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 9 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be used as a substitute for the appraisal report or CPA opinion.

Article 10 Procedures for Acquiring or Disposing of Claims of Financial Institutions

In principle, the Company does not engage in transactions to acquire or dispose of the claims of financial institutions. If it intends to engage in transactions to acquire or dispose of the claims of financial institutions in the future, it will report to the Board of Directors for approval before determining its evaluation and operating procedures.

Article 11 Procedures for Acquiring or Disposing of Derivatives

I. Transaction principles and strategies:

(I) Type of transactions

The scope of the Company's operation of derivative financial products is limited to business-related hedging operations, such as foreign exchange, futures, interest rates, etc., however, it is not limited to these three. If it is necessary to engage in the transaction of other derivative financial products not related to hedging, the transaction must be approved by a majority of the Board of Directors.

(II) Management or Hedging Strategy

The Company engaging in financial derivatives transactions is for the purpose of hedging, thus it chooses financial derivative products to primarily hedge the risks associated with the Company's business operations. The counterparty selects a financial institution with preferable conditions according to the Company's operational needs to engage in hedging transactions to avoid credit risk. Foreign exchange operations must be defined as risk aversion or financial operations for returns on investment.

(III) Performance evaluation

1. Hedging transactions

A. The performance evaluation is based on the cost of the hedging project on the Company's book and the profit and loss arising from the derivative financial transaction.

B. In order to fully grasp and express the evaluated risk of the transaction, the Company adopts the monthly evaluation method to evaluate the profit and loss.

C. The Financial Department shall provide the President with market trends and market analysis of the hedging project to be engaged in for use as reference and instructions for management.

2. The performance evaluation of non-hedging transactions is based on actual profit and loss, and the accountants must regularly compile the positions to be used as reference for management.

(IV) Determination of the total contract amount and the maximum loss limit

1. Total contract amount

A. Hedging transaction limit

The Financial Department must understand the overall position of the Company in order to avoid transaction risks. The amount of hedging transactions may not exceed the Company's overall monthly net position and six-month net position. If the above limits are exceeded, it must be reported to the Chairman for approval.

B. Non-hedging transaction limit

The amount of non-hedging transactions is limited to 1/2 of the monthly net position and 1/2 of the six-month net position. If the amount exceeds the above amounts, it must be approved by the Board of Directors.

2. Setting the maximum loss limit

- A. When the market situation reverses or is obviously unfavorable as compared to the original assumption, resulting in a loss of 15% of the position on the hedging and non-hedging transactions, the executing unit must submit a report to the president-level management within one day, and hold a meeting to discuss whether it is necessary to terminate the contract.
- B. Stop-loss procedure: When it is confirmed that a stop loss is required, the responsible trader and the top financial executive shall confirm the method of placing the order.

II. Operating procedures:

(I) Authorization amount and level

- 1. The following table of authorization limits for derivatives transactions is formulated based on the Company's turnover trends and risk considerations, which will be implemented after the approval of the Board of Directors.

Work type	The amount of an individual transaction (Million US\$)
Board of directors	Over 4,001
Chairman	2,001-4,000
President	501-2,000
Vice President	Below 500

- (II) Executing unit: Forward foreign exchange or other financial products for hedging are handled by the Financial Department.

(III) Executing process

- 1. Head of the Financial Department: Before conducting external transactions, fill out the "Transaction Application Form", on which should be indicated the nature, content and authorization limit of the transaction. After the transaction, the transaction records must be archived for reference.
- 2. Accounting Department: Review whether the transaction is carried out in accordance with the authorization authority and accounting treatment.

III. Risk management measures:

(I) Management of credit risk

- 1. The transaction counterparty must be a correspondent bank or a legal broker who can fully disclose risks.
- 2. After the transaction, check with the correspondent bank whether the authorization amount and level are in compliance with regulations.

(II) Management of market risk

The Financial Department shall continuously check whether the authorization amount, level, and total transaction amount comply with the provisions of this Procedure, and shall pay attention to the impact of future market price fluctuations on the unrealized profit and loss of positions held.

(III) Management of liquidity risk

The types of derivative financial products selected for transactions must have considerable market liquidity, and the financial institutions involved must have good reputation, sufficient capabilities in terms of equipment, information, and trading, and be able to conduct transactions in the market.

(IV) Management of legal risk

The Company must sign contracts with all derivatives trading counterparties. In addition, for each transaction, it shall obtain a legal transaction certificate signed by the counterparty to ensure the legality of each transaction and so as to avoid the legal risks of derivatives trading.

(V) Management operating risk

1. Actually comply with the Company's requirements for authorization limits, operating procedures, and internal audits.
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. Evaluate at least twice a week positions held for trading, and continuously pay attention to the financial conditions of derivatives trading; consider whether the investment risk is within the scope of the Company's authorization and whether it conforms to its established business strategy.

IV. Internal auditor

- (I) The internal auditors shall, on a regular basis and monthly, check the adequacy of the Company's internal control system for derivatives transactions and conduct audits on the Transaction Department to ensure compliance with the Procedures and analyze transaction cycling. Audit reports shall be produced. The auditors are required to advise the Audit Committee in writing if any significant violations are found.
- (II) The internal auditors shall submit the preceding Audit Report along with the implementation status of the internal auditing procedures in the annual inspection plan to the competent authority before the end of February of the following year. The Company shall also file improvements for the irregularities to the competent authority for reference before the end of May at the latest.

V. Regular evaluation method

- (I) The Board of Directors shall authorize senior executives to regularly supervise and evaluate whether derivatives transactions are actually handled in accordance with the Company's transactions procedures, and whether the risks borne are within the allowable range; when there are abnormal situations in the market price evaluation report (such as holding positions exceeding maximum loss limit), it must immediately be reported to the Board of Directors and response measures must be taken.
- (II) The positions held for derivatives transactions must be evaluated twice a month, and the evaluation report must be sent to the CFO authorized by the Board of Directors.

VI. Principles for supervision by the Board of Directors when the Company is engaging in derivatives trading

- (I) The Board of Directors shall designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk. Management principles are as follows:
 - 1. Periodically evaluate whether the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Procedure and the procedures for engaging in derivatives trading formulated by the Company.
 - 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; if the Company has independent directors, an independent director shall be present at the meeting and express an opinion.
- (II) 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.
- (III) The Company shall report to the latest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its procedures for engaging in derivatives trading.
- (IV) When the Company engages in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under Paragraph 5, Subparagraph (2) and Paragraph 6, Subparagraphs (1) and (2) of this Article shall be recorded in detail in the log book.

Article 12 Procedures for Mergers, Demergers, Acquisitions, or Transfer of Shares

I. Assessment and Operating Procedures

- (I) When the Company engages in mergers, demergers, acquisitions or share transfers, the Company shall, before convening a Board meeting to approve such matter, engage a CPA, attorney or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, the cash or other property to be distributed to shareholders, etc. The proposal shall be submitted 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 a public 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 public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
- (II) The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in Paragraph 1, Subparagraph (1) of this Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. However, where other legal provisions exempt a company from convening a General Shareholders'

Meeting to approve the merger, demerger or acquisition, this restriction may not apply. Also, where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

II. Other matters to implement

(I) Board meeting dates: When the Company participates in a merger, demerger, or acquisition, it shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Securities and Futures Institute is notified in advance of extraordinary circumstances and grants consent. When the Company participates in a transfer of shares, it shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the Securities and Futures Institute is notified in advance of extraordinary circumstances and grants consent. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company, listed on an exchange or having its shares traded on an OTC market, shall prepare a full written record of the following information and retain it for 5 years for reference:

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.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days 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 competent authority for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of Paragraphs 3 and 4.

- (II) Prior commitment to confidentiality: 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.
- (III) Principles for determining or changing the share exchange ratio or purchase price: Companies engaged in mergers, demergers, acquisitions or share transfers, shall, before convening a bilateral Board meeting to approve such matter, engage a CPA, attorney or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, the cash or other property to be distributed to shareholders, etc. The proposal shall be submitted to the General Shareholders' Meeting. The share exchange ratio or purchase price in principle must not be arbitrarily altered, however, this does not apply to terms/conditions that the contract stipulates may be altered and that have been publicly disclosed. The conditions for changing the share exchange ratio or the purchase price are as follows:
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.
 2. An action, such as a disposal of major assets, that affects the Company's financial operations.
 3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 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. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (IV) The contract should contain: In addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract for companies participating in the merger, demerger, acquisition, or transfer of shares must also specify the following matters.
1. Handling of breach of contract.
 2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 4. The manner of handling changes in the number of participating entities or companies.

5. Preliminary progress schedule for plan execution, and anticipated completion date.
 6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (V) When there is a change in the number of companies participating in the merger, demerger, acquisition, or transfer of shares: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company shall sign an agreement with the non-public company, and shall convene a board meeting on the date in accordance with Paragraph 2, Subparagraph (1) of this Article, the prior commitment to confidentiality in accordance with Subparagraph (2), and handle changes in the number of companies participating in the merger, demerger, acquisition, or transfer of shares in accordance with Subparagraph (5).

Article 13 Information Disclosure Procedure

- I. Under any of the following circumstances, when the Company is acquiring or disposing of assets, it shall publicly announce and report the relevant information on the designated website of the competent authority in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:
 - (I) Acquisition or disposal of real property or other right-of-use assets 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 may 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.
 - (II) Merger, demerger, acquisition, or transfer of shares.
 - (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
 - (IV) Where the type of asset of 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:
 1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.

2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- (V) 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.
- (VI) Where an asset transaction other than any of those referred to in the preceding five 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:
1. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
 2. Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds , or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
 3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions specified in the preceding paragraph 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.

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 Procedure need not be counted toward the transaction amount.

II. Public announcement and regulatory filing procedures

- (I) The Company shall publish relevant information on the website designated by the competent authority for announcement and declaration.
- (II) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authority by the 10th day of each month.
- (III) When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly corrected and publicly announced in entirety within 2 days upon knowledge of its error or omission.
- (IV) When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company headquarters, where they shall be retained for five years, except where otherwise provided by laws and regulations.
- (V) If the following situations arise after the Company has announced or reported transactions according to the preceding article, the Company shall announce and report such matters within two days on the website specified by the competent authority:
 - 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.

Article 14 Subsidiaries of the Company shall comply with the following provisions:

- I. Subsidiaries shall also establish Regulations Governing the Acquisition and Disposal of Assets by Public Companies in accordance with the provisions of the Procedure. After the procedures have been approved by the Board of Directors, they shall be submitted to a General Shareholders' Meeting for approval; the same applies for amendments.
- II. Subsidiary companies shall handle the acquisition or disposal of assets in compliance with the regulations of the Company.
- III. If the subsidiary is not a public company, the parent company shall also handle the announcement and reporting on behalf of the subsidiary if the acquired or disposed assets reach the threshold requiring public announcement and regulatory filing under Article 13, Paragraph 1 of the "Procedure for the Acquisition and Disposal of Assets".
- IV. The paid-in capital or total assets of the public company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches the threshold requiring public announcement and regulatory filing.
- V. For the calculation of 10 percent of total assets under the Procedure, the total assets stated in the most recent parent company only financial report or individual financial

report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

In the case of a company whose shares have no par value or a par value other than NT\$10 for the calculation of transaction amounts of 20 percent of paid-in capital under the Procedure, 10 percent of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of the Procedure regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

Article 15 Other matters

I. 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:

- (I) 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.
- (II) May not be a related party or de facto related party of any party to the transaction.
- (III) If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

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

- (I) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- (II) 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.
- (III) 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.
- (IV) 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.

- II. If the managers or head organizers of the Company violate the competent authority's Procedure for the Acquisition and Disposal of Assets, they will be punished in accordance with the regulations of the Company's reward and disciplinary measures.
- III. After the Company's "Procedure for the Acquisition and Disposal of Assets" is approved by the Board of Directors, it is submitted to the General Shareholders' Meeting for approval; the same applies to amendments thereof. If a Director expresses objection and records or written statements are available, the Company shall submit information regarding the Director's objection to the Audit Committee. When the transactions in the Company's acquisition or disposal of assets is proposed for discussion by the Board of Directors in accordance with the Procedure for the Acquisition and Disposal of Assets, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by Independent Directors must be detailed in Board meeting minutes.
- IV. Any other matters not set forth in the Procedure shall be handled in accordance with relevant laws and regulations.
- V. The Procedure was formulated on Sunday, December 7, 1997.
 - Revised on June 24, 2003.
 - Revised on June 24, 2004.
 - Revised on November 5, 2004.
 - Revised on June 15, 2006.
 - Revised on June 15, 2007.
 - Revised on June 18, 2009.
 - Revised on June 27, 2012.
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 - Revised on June 24, 2016.
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 - Revised on May 31, 2019.
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