

## Chlitina Holding Limited Procedure for the Acquisition or Disposal of Assets

### Chapter 1 General Provisions

- Article 1 Purpose: These Regulations are established particularly to protect assets, consolidate information disclosure, and to comply with regulatory requirements.
- Article 2 Legal basis: To acquire or dispose of assets, the Company shall follow the Procedure unless it is specified otherwise in the applicable financial laws and regulations.
- Article 3 The applicable assets herein are as follows:
- (I) Securities: Investments in shares, government bonds, corporate bonds, bank debentures, securities symbolic of funds, depository receipts, subscription (sale) warrant, beneficiary securities, and asset-based securities, etc.
  - (II) Real estate (including land, premises and buildings, investment-oriented real estate, land user right, and construction inventory) and equipment.
  - (III) Membership card.
  - (IV) Intangible assets: Patent rights, copyrights, trademark rights, franchise, and sublease, among other intangible assets.
  - (V) User right-associated assets.
  - (VI) Financial institution's creditor's right (including accounts receivable, negotiations discount and loans, accounts collectible).
  - (VII) Derivatives.
  - (VIII) Assets acquired or disposed of because of consolidation, severance, acquisition, or assignment of shares according to law.
  - (IX) Other important assets.
- Article 4 Terms and Definitions:
- (I) Derivatives are the forward contracts, option contracts, futures contracts, leverage contracts, swap contracts, combinations of the above contracts, or combination contracts of embedded derivatives, or structural commodities, etc. whose value is derived from a specific interest rate, the value of a financial instrument, the value of a commodity, the exchange rate, the price or rate index, the credit rating or credit index or other variables. Forward contracts do not contain insurance contracts, fulfillment contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sales) contracts.
  - (II) Assets acquired or disposed because of consolidation, severance, acquisition or assignment of shares according to law are those acquired or disposed of from consolidation, severance, or acquisition in accordance with the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act, or other laws or acceptance of shares from other companies (hereinafter referred to as the "Acceptance of Shares") as a result of release of new shares as required by Article 156-3 Paragraph 8 of the Company Act.
  - (III) Related party or subsidiary shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
  - (IV) The so-called "professional appraiser" refers to a real estate appraiser or someone else that may be engaged in the appraisal of real estate or equipment according to law.
  - (V) The so-called "actual date of occurrence" is the date when a transaction contract is

signed, the payment is made, the entrusted transaction takes place, the transfer is completed, the Board of Directors makes a decision, or it is sufficient to define the counterparty and the value of transaction, whichever occurs first. When the investment requires approval by the Competent Authority, however, it is the date indicated above or the date when the approval from the Competent Authority is received, whichever occurs first.

- (VI) Investment in Mainland China is that embarked on in accordance with the requirements of the Guidelines for Approving Investments or Technical Collaborations in Mainland China of the Investment Commission of MOEA.
- (VII) Investment professional refers to the financial holding company, bank, insurance company, notes financing company, trust business, securities dealer that runs self-owned or underwriting business, futures dealer that runs a self-owned business, securities investment trust business, securities investment consulting business and funds manager established as required by law and subject to the governance of the local competent financial authority.
- (VIII) Stock exchange refers to the Taiwan Stock Exchange domestically and any stock exchange that is organized and subject to governance by the local securities competent authority internationally.
- (IX) Operating site of securities dealers is a place where securities dealers have exclusive counters to facilitate transactions as required by the Regulations Governing Trading of Securities on Over-The-Counter Markets domestically and the operating site of a financial institution that is subject to governance by the local securities competent authority and may deal with securities internationally.

Article 5 Regulations governing the appraisal report or opinions

For the appraisal report or the opinions from the CPA, the attorney, or the securities underwriter obtained by the Company, the professional appraiser and the appraisal staff, CPA, attorney or securities underwriter shall meet the following requirements:

- (I) No finalized sentence in prison of at least one year due to a violation of the Securities Exchange Act, the Company Act, the Insurance Act, the Financial Holding Company Act, the Business Entity Accounting Act or frauds, breach of trust, embezzlement, forgery or criminal act during business operations. This, however, does not apply to those having served their sentence in prison, probation period, or when it has been three years following a pardon.
- (II) No correlation or substantial relationship with the parties to the transaction.
- (III) If the appraisal report is to be obtained from at least two professional appraisers, different professional appraisers or appraisal staff may not be related to one another or are substantially correlated.

The said parties in the preceding paragraph, to issue an appraisal report or opinions, shall follow the self-regulatory rules of the trade associations to which it belongs and the requirements below:

- (I) Prior to undertaking a case, careful self-assessment of professionalism, practical experiences, and independence shall be performed.
- (II) When executing a case, appropriate operating procedures shall be properly planned and enforced in order to render a conclusion and produce a report or opinions accordingly and the procedure enforced, data collected, and conclusions reached shall be truthfully and thoroughly documented in the work sheet.
- (III) For the sources of data, parameters, and information, among others, used, the appropriateness and legitimacy shall be evaluated item by item and accordingly the appraisal report or opinions may be issued.
- (IV) The disclaimer shall cover the statement that related staff has the professionalism and is independent and that the information used has been determined to be appropriate and reasonable and compliant with the applicable laws and regulations.

## **Chapter 2 Establishment of the Regulations**

### **Article 6 Amendment**

- (I) These Regulations shall be approved by at least one-half of all members of the Audit Committee and be submitted to the Board of Directors for a final decision. Once they are approved by the Board of Directors, they shall be submitted to respective Audit Committee members and also the shareholders' meeting for approval; the same applies upon revision. In case of any disagreement expressed by directors with records or written statements, the Company shall also submit such materials to the respective Audit Committee members.
- (II) The Company has independent directors and hence when these Regulations are submitted to the Board of Directors for discussion as required by the preceding paragraph, opinions from the respective independent directors shall be sufficiently taken into consideration and their disagreement or reserved opinions and reasons shall be included as part of the meeting minutes.
- (III) Without the approval by at least one half of all members of the Audit Committee for Paragraph 1, it may be supported by at least two-thirds of all directors and the decision of the Audit Committee shall be specified in the meeting minutes of the Board of Directors.
- (IV) "All members of the Audit Committee" indicated in the preceding three paragraphs and "all directors" indicated in the preceding paragraph refer to those actually in service.

### **Article 7 Taking into consideration opinions from independent directors**

- (I) For the acquisition or disposal of assets in accordance with these Regulations or other legal requirements by the Company that shall be approved by the Board of Directors, in case of any disagreement expressed by directors with records or written statements, the Company shall also submit such materials to respective Audit Committee

members.

- (II) When transactions of assets acquired or disposed of are submitted to the Board of Directors for discussion as required in the preceding paragraph, opinions from respective independent directors shall be sufficiently considered and any disagreement or reserved opinions from the independent directors shall be included as part of the meeting minutes.
- (III) Transactions of important assets or derivatives shall be approved by at least one half of all members of the Audit Committee and by the Board of Directors. The requirements in Paragraphs 3 and 4 of Article 6 apply.

### Chapter 3 Acquisition or Disposal of Assets

Article 8 To acquire non-operating real estate or the user right-associated assets, securities, the Company and its subsidiaries shall follow the requirements below regarding their limits:

- (I) Investment in non-operating real estate or the user right-associated assets: The limit is 30% of all assets of the respective company at the time of purchase.
- (II) Total limit of investment in securities:
  - 1. Reverse re-purchase of monetary funds and government bonds: The limit is the total assets of the respective company at the time of purchase.
  - 2. Other securities: The limit is 20% of the total assets of the respective company at the time of purchase. This does not include long-term investments in stock options.
- (III) Limit of individual securities purchased:
  - 1. Reverse re-purchase of monetary funds and government bonds: The limit is 80% of the total assets of the respective company at the time of purchase.
  - 2. Other securities: The limit is 10% of the total assets of the respective company at the time of purchase. This does not include long-term investments in stock options.

Article 9 Procedure for the Acquisition or Disposal of Real Estate, Equipment or User Right-associated Assets

- (I) Evaluation and operating procedure: The acquisition or disposal of the Company's real estate and equipment or the user right-associated assets is consistently based on the real estate, plants and equipment cycles of the Company's internal control system and related regulations.
- (II) Procedure for Deciding the Transaction Conditions
  - 1. Procedure for the Acquisition or Disposal of Real Estate or the User Right-associated Assets
    - (1) The announced current value, the rated value, the actual transaction price of real estate or the user right-associated assets in the surroundings shall be referred to in deciding the transaction conditions and the transaction price; the analysis report will be prepared and submitted to the Chairman.
    - (2) When a single transaction value is more than NT\$150 million (or equivalent foreign currency) of the Company and its subsidiaries, it has to be approved by the Board of Directors in the parent company before such transaction may be done.
  - 2. Acquisition or Disposal of Equipment or the User Right-associated Assets
    - (1) Applicable requirements of the Company for purchases shall be followed.
    - (2) When a single transaction value is more than NT\$50 million (or equivalent

foreign currency) of the Company and its subsidiaries, it has to be approved by the Board of Directors in the parent company before such transaction may be done.

- (III) Executive unit: When acquiring or disposing of real estate, equipment or the user right-associated assets, the Company shall submit it for approval reflective of the decision-making power and related purchase and administration units are responsible for implementing it.
- (IV) Acquisition of the asset appraisal report: When acquiring or disposing of real estate, equipment or the user right-associated assets, except for transactions with domestic government agencies, outsourced construction on self-owned land, outsourced construction on rented land or the acquisition or disposal of operating machine equipment or the user right-associated assets, as long as the transaction value reaches 20% of the Company's paid-in capital size or NT\$ 300 million (or equivalent foreign currency) and above the appraisal report issued by a professional appraiser shall be obtained prior to the actual occurrence date and the following requirements shall be fulfilled:
  - 1. When restricted prices, specific prices, or special prices need to serve as the reference for the transaction price for special reasons, such transaction shall be submitted to the Board of Directors for a decision first. The same shall apply on changes to the transaction conditions in the future.
  - 2. When the transaction value reaches NT\$1 billion (or equivalent foreign currency) and above, appraisals shall be provided by at least two professional appraisers.
  - 3. In case of any of the following conditions regarding the appraisal results provided professional appraisers, unless those of assets acquired are consistently higher than the transaction value or those of assets disposed of are consistently below the transaction value, a CPA shall be providing substantial opinions with regards to the reasons for the differences and the adequacy of the transaction price:
    - (1) The appraisal result is different from the transaction value by more than 20% of the transaction value.
    - (2) The difference between appraisal results provided by at least two professional appraisers reaches 10% and above.
  - 4. The date when the report is released by a professional appraiser and the date for the contract to take effect may not be more than three months apart. If the announced current value of the same term applies and it is not more than six months past due, the original professional appraiser shall provide the opinions.

#### Article 10 Procedure for the Acquisition or Disposal of Securities

- (I) Evaluation and operating procedure: Trading of the Company's securities is consistently based on the investment cycles of the Company's internal control system and related regulations.
- (II) Procedure for Deciding the Transaction Conditions
  - 1. The most recent financial statements of benchmark companies audited and certified or reviewed and approved by CPAs prior to the actual date of occurrence or public quotations of the said securities on an active market, if any, shall be obtained to serve as reference in the evaluation of the transaction price.
  - 2. For securities not traded in a stock exchange or securities firm, besides those mentioned above, their net worth per share, profitability, and future development

potential, among others, shall also be considered and the reference bases for transaction prices or how they are calculated and the transaction conditions shall be submitted to the responsible supervisor for approval.

3. Authorized limit and level:

- (1) Reverse repurchase of monetary funds or government bonds:
  - A. The Chairman is authorized with the decision-making power.
  - B. The implementation status in the most recent quarter of the Company and its subsidiaries needs to be reported to the Board of Directors of the parent company, including investment gains and losses.
- (2) Other securities:
  - A. The Chairman is authorized with the decision-making power.
  - B. When a single transaction values more than NT\$30 million, inclusive (or equivalent foreign currency), of the Company and its subsidiaries, it has to be reported to the Board of Directors in the parent company afterwards.
  - C. When a single transaction values more than NT\$30 million (or equivalent foreign currency) of the Company and its subsidiaries, it has to be approved by the Board of Directors in the parent company before such transaction may be done.

(III) Executive unit: When acquiring or disposing of securities, the Company shall submit it for approval reflective of the decision-making power and the financial unit is responsible for implementing it.

(IV) Obtaining expert opinions

1. When acquiring or disposing of investments in securities, the Company shall obtain the most recent financial statements of benchmark companies audited and certified or reviewed and approved by CPAs prior to the actual date of occurrence to serve as reference in the evaluation of the transaction price.
2. When acquiring or disposing of securities with a transaction value reaching 20% of the paid-in capital size of the Company or NT\$300 million (or equivalent foreign currency) and above, CPAs shall be approached for opinions on the adequacy of the transaction price prior to the actual date of occurrence. This, however, does not include securities with public quotations on an active market or specified otherwise by the competent authority for securities.

Article 11 Procedure for the Acquisition or Disposal of Intangible Assets or Their User Right-associated Assets or Membership Cards

- (I) Evaluation and operating procedure: The acquisition or disposal of the Company's intangible assets or their user right-associated assets or membership cards is consistently based on the real estate, plants and equipment cycles of the Company's internal control system and related regulations.
- (II) Procedure for Deciding the Transaction Conditions
  1. Applicable requirements of the Company for purchases shall be followed.
  2. When a single transaction values more than NT\$50 million (or equivalent foreign currency) of the Company and a subsidiary, expert evaluation reports or fair values on the market shall be referred to in deciding the transaction conditions and transaction price and an analysis report shall be prepared and be approved by the Board of Directors in the parent company before such transaction may be done.
- (III) Executive unit: When acquiring or disposing of intangible assets or their user right-associated assets or membership cards, the Company shall submit it for approval reflective of the decision-making power and the user department and financial unit or

administration units that are responsible for implementing it.

- (IV) Obtaining expert opinions: When acquiring or disposing of intangible assets or their user right-associated assets or membership cards with a transaction value reaching 20% of the paid-in capital size of the Company or NT\$300 million (or equivalent foreign currency) and above, except for transactions with domestic government agencies, CPAs shall be approached for their opinions on the adequacy of the transaction price prior to the actual date of occurrence.

Article 11-1 The calculation of the transaction value stated in the foregoing three articles shall be based on the requirements in Article 30 Paragraph 2 and “within a year” as stated is based on the actual date of occurrence of the current transaction, retroactively by one year. It is allowed not to include those already included in the appraisal report obtained from professional appraisers or CPA opinions as required herein.

Article 12 If the Company acquires or disposes of assets through the court auction procedure, supporting documents issued by the court may be used instead of the appraisal report or CPA opinions.

#### **Chapter 4 Transaction with Related Parties**

Article 13 Obtaining expert opinions

- (I) To acquire or dispose of assets, besides following the requirements in the foregoing chapter and the current chapter in completing related decision-making procedures and evaluating the legitimacy of transaction conditions, among others, for those with a transaction value reaching at least 10% of the Company’s total assets, the Company and the related party shall also obtain the appraisal report issued by a professional appraiser or CPA’s opinions as required in the previous chapter.
- (II) The calculation of the transaction value in the preceding paragraph shall be based on the requirements in Article 11-1.
- (III) When determining if a counterparty is a related party, besides paying attention to the legal form, substantial relationship shall be considered as well.

Article 14 Evaluation and operating procedure

- (I) When the real estate or their user right-associated assets acquired or disposed of by the Company from the related party or other assets than the real estate or the user right-associated assets acquired or disposed of by the Company from the related party reaches 20% of the Company’s paid-in capital size, 10% of the overall assets, or NT\$300 million and above, except for trading of domestic bonds, bonds with buy-back or sell-back requirements, subscription or buy-back of the money market funds issued by a domestic securities investment trust business, the following materials shall be submitted to the Audit Committee for recognition and to the Board of Directors for approval before the transaction contract may be entered into and payment may be made:
  - 1. Purpose, necessity, and expected benefits of the acquisition or disposal of assets
  - 2. Reason for choosing the related party to be the counterparty
  - 3. Related materials for evaluation of the legitimacy of expected transaction requirements according to Articles 15 and 16 for the real estate or the user right-associated assets acquired from the related party.
  - 4. The original date and price of acquisition from the related party, the counterparty and his/her relationship with the Company and the related party, among others.
  - 5. The income and expenditure forecast in cash for respective months in the coming year starting from the month when the contract is expected to be signed and the

evaluation over the necessity of the transaction and the legitimacy of funds utilization.

6. Appraisal report obtained from a professional appraiser or CPA opinions as required by the preceding article.
  7. Restrictions and other important matters agreed upon of the current transaction.
- (II) For the acquisition or disposal of operating equipment or the user right-associated assets and real estate user right-associated assets between the Company and its subsidiaries, or between subsidiaries whose circulating shares or total capital value is owned directly or indirectly by the Company, the Board of Directors may authorize the Chairman with the discretion to go ahead and make a decision and then submit it to the most recent Board of Directors' meeting for endorsement if the value is within NT\$50 million (or equivalent foreign currency).
- (III) If the transaction mentioned in paragraph 1 occurs in the Company or a subsidiary that is not a domestic listed company, and the transaction amount is more than 10% of the Company's total assets, the Company shall submit the information listed in the subparagraphs under paragraph 1 to the shareholders' meeting for approval before signing the transaction contract and making payment. However, this provision does not apply if the transaction is between the Company and the parent company, subsidiaries or in between subsidiaries.
- (IV) The calculation of the transaction value in paragraph I and paragraph III shall be based on the requirements in Article 30 Paragraph 2 and "within a year" as stated is based on the actual date of occurrence of the current transaction, retroactively by one year. It is allowed not to include those already submitted to the Shareholders Meeting、Audit Committee for recognition and the Board of Directors for approval as required herein.

#### Article 15 Evaluation over the Legitimacy of the Transaction Cost

- (I) The Company shall evaluate the legitimacy of the transaction cost in the following ways for the real estate or the user right-associated assets acquired from the related party:
1. The cost of necessary interests for the funds and that to be afforded by the buyer as required by law shall be included in the calculation in addition to the transaction price with the related party. The so-called cost of necessary interests for the funds is the be assumed or calculated with the weighted average interest rate of borrowings for the purchase of assets by the Company for the specific Year; it, however, may not be above the highest borrowing interest rate in the non-financial sector as announced by the Ministry of Finance.
  2. If the related party once set the specific object as the collateral for borrowings from a financial institution, it is the determined total loan value of the specific object by a financial institution. The accumulated value of loans actually released on the specific object by a financial institution, however, shall reach 70% of the total loan value and at least one years has elapsed for the loan period. This does not apply, however, if the financial institution and a party to the transaction are mutually related.
- (II) Consolidated purchase or lease of the same target land and house: the transaction cost may be evaluated in any of the ways mentioned in the foregoing paragraph, respectively, for the land and the house.
- (III) When the Company acquires real estate or the user right-associated assets from the related party, the cost of the real estate or the user right-associated assets shall be evaluated as required by the preceding two paragraphs and the CPA shall be approached for reviewing it again and providing substantial opinions.
- (IV) When the Company acquires real estate or the user right-associated assets from the



related party and one of the following conditions is found, the requirements in the preceding article shall be followed and the requirements in the preceding three paragraphs shall not apply:

1. The related party acquired the real estate or the user right assets because of inheritance or as a gift.
2. The related party acquired the real estate or the user right assets through a contract and the contract date is more than 5 years ago from the current transaction.
3. The real estate is acquired through a contract over joint construction entered into with the related party or through outsourced construction on self-owned land, outsourced construction on rented land assigned to the related party.
4. Operating real estate user right-associated assets are acquired between the Company and its subsidiaries or between subsidiaries whose circulating shares or total capital value is owned directly or indirectly by the Company.

Article 16 When results of the evaluations performed as required in Paragraphs 1 and 2 of the preceding article by the Company are consistently lower than the transaction price, the requirements in Article 17 shall be followed. This, however, does not apply in case of any of the following conditions and when objective evidence is provided and substantial justified opinions are obtained from the professional real estate appraiser and the CPA:

1. The related party is the party obtaining or renting the land for construction and can provide evidence on fulfillment of one of the following requirements:
  - (1) The land is evaluated in ways required in the preceding paragraph while the reasonable construction profits are added to the construction cost paid by the related party for a house, with the total exceeding the actual transaction price. The so-called reasonable construction profits shall be the net business profit on average from the construction department of the related party over the most recent three Year or the latest net profit in the construction industry announced by the Ministry of Finance, whichever is lower.
  - (2) Deals completed of other non-related parties within a year for the other floors of the same house/land or in the adjacent regions that are similar in area and transaction conditions having been evaluated against the reasonable floor or regional price differences according to real estate trading customs to be comparable.
  - (3) Lease cases of other non-related parties within a year for the other floors of the same house/land and with the transaction conditions inferred to be comparable according to real estate lease customs.
2. The Company provides evidence supporting that the transaction conditions of the real estate purchased or real estate user right-associated assets acquired through lease are equivalent to transactions involving other non-related parties within a year in the adjacent regions and closer in area.

The so-called transactions in adjacent regions in the preceding paragraph are, in principle, those within the same or in adjacent blocks and not further than a radius of 500 meters from the transaction target or similar in the announced current value. By “closer in area,” on the other hand, it means, in principle, that the area of the deals completed of other non-related parties is not below 50% of that of the transaction target. The so-called within a year is, in principle, from the actual date when the current acquisition of real estate or the user right-associated assets occurs, retroactively by one year.

Article 17 For the real estate or the user right-associated assets acquired from the related party by the

Company, if determined to be below the transaction value as required in the preceding two articles, the following matters shall be addressed:

1. A special reserve shall be set aside as required by Article 41 Paragraph 1 of the Securities Exchange Act for the difference between the transaction price and the evaluation cost of the real estate or the user right-associated assets; assignment or allotment of shares transferred to capital increase is disallowed. If the investor evaluated with the Company's equity method is a public offering company, the special reserve shall be set aside as required by Article 41 Paragraph 1 of the Securities Exchange Act with regard to the said value to be appropriated according to the shareholding ratio.
2. The Audit Committee shall follow the requirements in Article 218 of the Company Act.
3. Management of the conditions indicated in the preceding two sub-paragraphs shall be reported to the shareholders' meeting, with details of the transaction to be disclosed in the Annual Report and the Prospectus.

When a special reserve is set aside as required in the preceding paragraph by the Company, such special reserve may only be allocated when price falling losses are recognized for the assets purchased or rented at a high price or the lease contract is disposed of or terminated or the compensation or re-instatement has been adequately done or there is other evidence supporting absence of illegitimacy and after it is approved by the competent authority for securities.

For the real estate or the user right-associated assets acquired by the Company from the related party, if there is other evidence showing conditions not compliant with the business practice in the transaction, the requirements in the preceding two paragraphs shall also be followed.

## Chapter 5 Engagement in Transactions of Derivatives

### Article 18 Procedure for Trading Derivatives

#### (I) Transaction Principle and Policy

1. Type of transaction: Derivatives defined in Article 4 Sub-paragraph 1 herein.
2. Operational or hedging strategy: For the Company to engage in transactions of derivatives, hedging shall be the underlying principle. The counterparty shall be a financial institution that currently does business with the Company in order to avoid credit risk.
3. Responsibilities:
  - (1) Financial unit:
    - A. Shall collect market intelligence on derivatives, determine the trends and risks, and be familiar with instruments and operating techniques and prepare a report advising the positions and hedging method reflective of the Company's policy and authorization and submit it to the responsible supervisor for approval prior to implementation.
    - B. Before a transaction is executed, the Derivatives Transaction Request Form shall be completed specifying related information and be approved by the responsible supervisor reflective of the decision-making power.
    - C. Be responsible for stipulating and revising related procedures for trading of derivatives, compiling transaction records periodically reported back by the Headquarters and the subsidiaries to facilitate overall management.

- (2) Accounting unit:
  - A. Reviews whether a transaction is enforced according to the authorized power and existing strategies.
  - B. For transactions of derivatives, the Company shall have complete books and accounting records in place and generally acceptable accounting principles and applicable laws and regulations shall be followed reflective of the different natures of the transactions. The results shall be able to adequately express and disclose the transaction process and the results.
- (3) Authorized limits for derivatives:
  - A. The limits available for trading derivatives by the Company and its subsidiaries are to be enforced following authorization by the Board of Directors of the parent company.
  - B. The decision-making power regarding the transactions of derivatives by the Company and its subsidiaries shall be submitted to and approved by the Board of Directors of the parent company.
- 4. Guidelines for evaluating performance: The financial unit shall provide the responsible supervisor with the ratings of foreign exchange positions and trends on the foreign exchange market as well as market analysis to serve as management reference and instructions.
- 5. Total contract value: The transaction value of the Company and its subsidiaries with a single financial institution needs to be submitted to the Board of Directors of the parent company before it is enforced.
- 6. Upper limits of losses of all contracts combined and respective contracts: The upper limits of contract losses may not exceed 20% of the contract value; this shall apply to respective contracts and all contracts combined.
- (II) Risk management measure: Follow the requirements in Article 19 herein.
- (III) Internal audit system: Follow the requirements in Article 21 herein.
- (IV) Periodic evaluation method and management of abnormalities: Follow respective requirements herein.

#### Article 19 Risk Management Measure

- (I) Scope of Risk Management
  - 1. Credit risk:
    - (1) Counterparty: The counterparty of the Company is limited to a bank or an internationally famous financial institution that currently does business with the Company and is able to provide professional information.
    - (2) Commodity involved in the transaction: It is limited to a commodity provided by a domestically or internationally famous financial institution.
  - 2. Market price risk: For derivatives, the Company shall control the market price variation risk caused by changing interest rates or exchange rates or other factors at all times.
  - 3. Liquidity risk: In order to ensure liquidity on the market, financial instruments selected are primarily those relatively highly liquid. The financial institution authorized to execute the transaction has to have sufficient information and be capable of executing the transaction on any market at any time.
  - 4. Cash flow risk: In order to ensure steady turnover in the Company's operating funds, funds needed for the Company to engage in transactions of derivatives are from self-owned funds and the value available for operation shall take into consideration the demand for funds in the cash income and expenditure forecast about the future.
  - 5. Operational risk: The authorized limits and operating procedures of the Company

should be precisely followed and be included as part of internal audit in order to avoid operational risk.

6. Legal risk: Documents to be signed with the financial institution shall be reviewed by professionals in foreign exchange, legal affairs, or legal counsel before they may be officially signed in order to avoid legal risk.
  7. Commodity risk: Internal traders shall have complete and correct professional knowledge of financial instruments and demand that risks be sufficiently disclosed by banks in order to avoid the risk associated with misuse of financial instruments.
- (II) Traders of derivatives and the staff involved in verification and delivery may not be the same people.
  - (III) The staff engaged in the evaluation, monitoring, and control of risks shall belong to different departments from the staff mentioned in the preceding sub-paragraph and shall report to the Board of Directors or the high-ranking supervisor not responsible for the making a decision over the transaction or the position.
  - (IV) The positions held for trading derivatives shall be evaluated at least once a week. For hedging transactions that need to be processed in order to meet operational demand, however, such evaluation shall be performed at least twice a month and the evaluation report shall be submitted to the high-ranking supervisor authorized by the Board of Directors.

#### Article 20 Supervision and Management of the Board of Directors

- (I) The Board of Directors shall precisely fulfill its supervisory and management duties in compliance with the principles below:
  1. Assign high-ranking supervisors to pay attention to the supervision and control over transaction risks of derivatives at all times.
  2. Periodically evaluate whether the performance in the transaction of derivatives meets existing operating strategies and whether the undertaken risks are within the scope allowed for the Company or not.
- (II) The high-ranking supervisor authorized by the Board of Directors shall manage trading of derivatives according to the principles below:
  1. Periodically evaluate if the current risk management measures are appropriate and in strict compliance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the Procedure for Trading Derivatives established by the Company.
  2. Supervise over transactions and gains and losses, review evaluation reports, and adopt necessary response measures upon discovery of abnormalities and report immediately to the Board of Directors; there shall be independent directors attending and expressing opinions in the Board of Directors’ meeting.
- (III) When dealing with the transaction of derivatives, if related staff are authorized to take care of the transaction as required by the Procedure for Trading Derivatives, the Company shall report it in the most recent Board of Directors’ meeting later.

#### Article 21 Establishment of Reference Book and Internal Audit System

- (I) When dealing with derivatives, the Company shall prepare reference books for derivatives that truthfully document the type, value, date approved by the Board of Directors, and matters of derivatives involved in the transaction that shall be carefully evaluated according to Article 19 Sub-paragraph 4, Article 20 Paragraph 1 Sub-paragraph 2 and Paragraph 2 Subparagraph 1.
- (II) The internal audit staff of a public offering company shall periodically understand the adequacy of internal control over trading of derivatives and perform monthly audits on the compliance with the procedure for trading of derivatives by the trading department

and prepare the audit report. In cases of major violations discovered, the Audit Committee shall be informed in writing.

## **Chapter 6 Corporate Consolidation, Severance, Acquisition, or Assignment of Shares**

### **Article 22 Evaluation procedure**

When dealing with consolidation, severance, acquisition, or assignment of shares, the Company shall authorize the attorney, the CPA, or the securities underwriter to jointly stipulate and decide an estimated schedule for legal procedures and form a task force to enforce in accordance with the legal procedures. In addition, the Company shall authorize the CPA, the attorney, the securities underwriter, or another expert, before calling for the Board of Directors' meeting, to express opinions over the legitimacy of the exchange Ratio the acquisition price, or the cash or other properties assigned to shareholders and bring it forth to be discussed and approved by the Board of Directors. For the consolidation between the Company and its subsidiary whose circulating shares or total capital size is 100% held directly or indirectly by the public offering company or the consolidation between the subsidiaries whose circulating shares or total capital size is 100% held directly or indirectly by the public offering company, however, the opinions over the legitimacy as provided by experts indicated in the foregoing may be waived.

### **Article 23 Operating procedure**

- (I) When involved in consolidation, severance, or acquisition, the Company shall prepare public documents for the shareholders before a shareholders' meeting covering important terms and conditions agreed upon and related matters of the consolidation, severance, or acquisition and give them to the shareholders along with the expert opinions stated in Paragraph 1 of the preceding article to serve as reference for whether or not to approve the said consolidation, severance, or acquisition. This, however, does not apply if a decision through a shareholders' meeting may be waived regarding consolidation, severance, or acquisition as required by other laws.
- (II) If the shareholders' meeting of a company involved in the consolidation, severance, or acquisition is unable to take place or render a decision, or vetoes the proposal due to an insufficient number of attendants, insufficient voting power, or other legal restrictions, the company shall explain the cause, the subsequent management, and the re-scheduled date of the shareholders' meeting to the public immediately.

### **Article 24 Date of the Board of Directors' Meeting and Other Precautions**

- (I) Companies involved in the consolidation, severance, or acquisition, unless specified otherwise in other laws or for special reasons and with prior approval from the competent authority for securities, shall hold the Board of Directors' meeting and the shareholders' meeting on the same day to decide matters concerning the consolidation, severance, or acquisition.
- (II) Companies involved in the assignment of shares, unless specified otherwise in other laws or for special reasons and with prior approval from the competent authority for securities, shall hold the Board of Directors' meeting on the same day.
- (III) Public companies or companies whose shares are traded at an operating site of securities dealers that are involved in the consolidation, severance, acquisition, or assignment of shares shall have complete written records prepared containing the

following information and keep them for five years to be available for inspection.

1. Basic personnel information: Including the title, name, National ID number (or the passport number for an alien) of the person(s) involved in the consolidation, severance, acquisition, or assignment of shares plan or in implementing the plan prior to release of the news to the public.
  2. Dates of important events: Including the date when the Letter of Intent or the memorandum is signed, the date when a financial or legal consultant is authorized, or the date when a contract is signed or the Board of Directors' meeting takes place, among others.
  3. Important documentation and meeting minutes, Including the consolidation, severance, acquisition, or assignment of shares plan, the Letter of Intent or memorandum, appraisal report, opinions from the CPA, the attorney, the securities underwriter, or another expert, important contracts, and Board of Directors' meeting minutes, among others.
- (IV) Public companies or companies whose shares are traded at an operating site of securities dealers that are involved in the consolidation, severance, acquisition, or assignment of shares shall have the materials in the Sub-paragraphs 1 and 2 of the preceding paragraph in the required format with the competent authority for securities for reference through the Internet information system within two days after they are approved in the Board of Directors' meeting.
- (V) When companies that are not public companies or companies whose shares are traded at an operating site of securities dealers are involved in the consolidation, severance, acquisition, or assignment of shares, public companies or companies whose shares are traded at the securities firms shall sign an agreement with them and the requirements in the preceding two paragraphs shall apply.

#### Article 25 Advance Commitment to Confidentiality

All the parties involved in or aware of the consolidation, severance, acquisition, or assignment of shares plan shall present their "commitment to confidentiality" in writing and may not disclose contents of the plan to the public before the news is released to the public or buy and sell shares and other securities that are stock options in nature of all companies concerned in the consolidation, severance, acquisition, or assignment of shares plan in their own name or in the name of someone else.

#### Article 26 Principle for setting and changing the exchange ratio or the acquisition price

In the case of consolidation, severance, acquisition, or assignment of shares, the exchange ratio or the acquisition price, except for the following conditions, may not be freely changed and conditions where changes may be made shall be specified in the contract:

1. Organizing capital increase in cash, issuance of convertible corporate bonds, stock dividend from paid-in capital, equity warrant corporate bonds, equity warrant preferred stock, stock option certificates, and other securities that are stock options in nature.
2. Behavior that has an impact on the Company's finance such as disposal of important assets of the Company
3. Major disasters or technical reforms that will affect the Company's shareholders' equity or security price

4. Adjustments made by any company involved in the consolidation, severance, acquisition, or assignment of shares by buying back the treasury stock according to law
5. Change in the structure or the number of companies involved in the consolidation, severance, acquisition, or assignment of shares
6. Other conditions where changes may be made as specified in the contract and already disclosed to the public

**Article 27 Information to be included in the contract**

In the case of consolidation, severance, acquisition, or assignment of shares, the contract shall not only specify the rights and obligations of companies involved in the consolidation, severance, acquisition, or assignment of shares but also the following:

1. Management of defaults.
2. Principles for handling securities that are stock options in nature already issued or the treasury stock that is already bought back by the company that is no longer existing or is severed as a result of consolidation.
3. The Quantity of and the management principle for the treasury stock that may be bought back according to law after the base date for the exchange ratio calculated by the participating companies.
4. Management of additions or deletions in the structure or the number of companies involved.
5. Expected plan implementation schedule and expected date of completion.
6. The procedure for handling the expected date for holding the shareholders' meeting as required by law, among others, upon failure to complete the plan as scheduled.

**Article 28** If any company involved in the current consolidation, severance, acquisition, or assignment of shares intends to be consolidated with, severed from, acquire, or accept assigned shares with other companies after the news is released to the public, unless the number of participating companies is reduced and the shareholders' meeting has rendered a decision to authorize the Board of Directors with the power over such change, where the participating companies may be waived from holding another shareholders' meeting to make a decision, for the procedure or legal action already completed for the original consolidation, severance, acquisition, or assignment of shares, it shall be redone by all participating companies.

**Article 29** When companies that are not public offering companies are involved in the consolidation, severance, acquisition, or assignment of shares, the Company shall sign an agreement with them and the requirements in Articles 24, 25, and the preceding article shall apply.

## **Chapter 7 Information disclosure**

**Article 30 Items that shall be declared and filed**

- (I) In case of any of the following conditions for the Company in the acquisition or disposal of assets, reflective of their nature, the required format shall be followed to file related information within two days from the actual date of occurrence on the designated website of the competent authority for securities:
  1. Acquisition or disposal of real estate or the user right-associated assets or acquisition or disposal of other assets than real estate or the user right-associated

assets from the related party with a transaction value reaching 20% of the Company's paid-in capital size, 10% of the total assets, or NT\$ 300 million (or equivalent foreign currency) and above. This, however, does not apply to the trading of domestic government bonds or bonds with buy-back or sell-back conditions, subscription or buy-back of money market funds issued by a domestic securities investment trust business.

2. Consolidation, severance, acquisition, or assignment of shares
  3. Engagement in transactions of derivatives with losses reaching the ceiling value of all or individual contract losses specified in the established procedure.
  4. Acquisition or disposal of operating equipment or the user right-associated assets and the counterparty is not a related party and the transaction value meets one of the following requirements:
    - (1) Public offering companies with a paid-in capital size falling short of NT\$10 billion and a transaction value reaching NT\$500 million (or equivalent foreign currency) and above.
    - (2) Public offering companies with a paid-in capital size reaching NT\$10 billion and above and a transaction value reaching NT\$1 billion and above.
  5. Acquisition or disposal of constructing real estate or the user right-associated assets by the Company dealing with construction and the counterparty is not a related party, with a transaction value reaching NT\$500 million (or equivalent foreign currency) and above; for real estate of self-built and completed projects with the paid-in capital size, in particular, reaching NT\$10 billion and above and the counterparty not a related party, the transaction value is NT\$1 billion (or equivalent foreign currency) and above.
  6. Acquisition of real estate through outsourced construction on self-owned land, outsourced construction on rented land, division of property jointly built, division by the percentage following joint construction, and separate sale following joint construction, with the counterparty not a related party, with an expected transaction value invested in by the Company reaching NT\$500 million (or equivalent foreign currency) and above.
  7. Transactions of assets other than those in the preceding six sub-paragraphs, disposition of creditor's rights by financial institutions, or investments in Mainland China, with a transaction value reaching 20% of the Company's paid-in capital size or NT\$ 300 million (or equivalent foreign currency) and above. This, however, does not apply to the following circumstances:
    - (1) Trading of domestic government bonds or foreign government bonds with a the credit rating not lower than the sovereign rating of the ROC.
    - (2) Trading of securities by investment professionals at the stock exchange or the securities firm or foreign government bonds or common corporate bonds and general financial bonds not involving stock options subscribed, raised, and offered on the primary market (excluding subordinated debenture) or subscription or buy-back of securities investment trust fund ,or subscription or sellback of index investment securities or futures trust fund or securities subscribed as required by the Taipei Exchange by brokers in order to meet the underwriting business demand and serving as the referral broker that helps emerging companies.
    - (3) Trading of bonds with buy-back or sell-back conditions, subscription or buy-back of money market funds issued by a domestic securities investment trust business.
- (II) The transaction value in the preceding paragraph is calculated as follows:
1. Value of each transaction.
  2. The accumulated transaction value from the acquisition or disposal of an object of



the same nature with the same counterparty within a year.

3. The value acquired or disposed of, cumulatively within a year (separately for the acquisition and the disposition), of real estate or the user right-associated assets within the same development project.
  4. The value acquired or disposed of, accumulatively within a year (separately for the acquisition and the disposition), of the same security.
- (III) The term "within one year" in the preceding paragraph means a period of 1 year calculated retroactively from the actual date of occurrence of the current transaction. Amounts already announced as required herein are exempted from inclusion in the calculation.
- (IV) The Company shall enter information about transactions of derivatives engaged in by itself and its subsidiaries that are not a public offering company within the country by the end of last month before the tenth day of each month on the website designated by the competent authority for securities where such information shall be disclosed on a monthly basis.
- (V) In the event that items to be announced by the Company as required are found with errors or missing information at the time of announcement and hence need to be corrected, all such items shall be re-announced and filed within two days from the date of awareness of such condition.
- (VI) When acquiring or disposing of assets, the Company shall have copies of related contracts, meeting minutes, reference books, appraisal reports, and opinions from CPAs, attorneys, or securities underwriters ready in the Company and they shall be kept for at least five years unless specified otherwise by law.

Article 31 When one of the following conditions occurs after the Company announces and files transactions as required according to the preceding article, related information shall be announced and filed on the website designated by the competent authority within two days from the actual date of occurrence:

1. Related contracts signed on the original transaction are changed, terminated, or dismissed.
2. Consolidation, severance, acquisition, or assignment of shares is not completed as scheduled by contract.
3. Contents originally announced and filed are changed.

## Chapter 8 Addendum

Article 32 For the subsidiaries of the Company, the following requirements shall be followed:

- (I) Subsidiaries may establish the "Procedure for the Acquisition or Disposal of Assets" in compliance with applicable requirements in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". Once it is approved by the Board of Directors of the respective subsidiary, it is brought forth in the shareholders' meeting for approval and then enforced; the same applies upon revision.
- (II) The Procedure for the Acquisition or Disposal of Assets of the subsidiary shall be based on the requirements of the parent company.
- (III) When a subsidiary is not a public offering company within the country and conditions subject to announcement and filing as required in Chapter 5 in the acquisition or

disposal of assets apply, the parent company shall complete the process on its behalf.

- (IV) The announcement and filing criteria in the preceding paragraph that are applicable to subsidiaries under Article 30 Paragraph 1 regarding paid-in capital size or total assets are to be based on the paid-in capital size or total assets of the parent company.

Article 33 With regards to the requirement about 10% of total assets herein, it is to be calculated with the total asset value in the most recent individual financial statement required by the Regulations Governing Securities Issuers' Financial Statements.

When the Company's shares do not have a denominated value or the denominated value is not NT\$10 per share, the transaction value equivalent to 20% of the paid-in capital size herein is to be calculated as 10% of the client's equities that belong to the parent company; the requirement about a transaction value reaching NT\$10 billion of the paid-in capital size is to be calculated as NT\$20 billion of the client's equities that belong to the parent company.

Article 34 Penalty

When the Company's managers and responsible people violate the Procedure, penalties varying in severity under the Company's Articles of Incorporation and applicable requirements shall apply, depending on the severity of the condition.

#### Version record

Version	Summary of changes contents	Date approved by the Board of Directors	Date approved in the shareholders' meeting
1	Addition	August 17, 2012	August 23, 2012
2	Revised in accordance with FSC Issuance Jin-Guan-Zheng-Fa-Zi No. 1020053073 Order.	March 12, 2014	June 19, 2014
3	Related contents adjusted to reflect operational and management demand.	March 12, 2015	June 17, 2015
4	Revised in accordance with FSC Issuance Jin-Guan-Zheng-Fa-Zi No. 10600012965 Order.	March 14, 2017	June 28, 2017
5	Revised in accordance with FSC Issuance Jin-Guan-Zheng-Fa-Zi No. 10703410725 Order.	March 12, 2019	June 5, 2019
5	Revised in accordance with FSC Issuance Jin-Guan-Zheng-Fa-Zi No. 1110380465 Order.	March 10, 2022	June 8, 2022