

## Procedure for Acquisition or Disposal of Assets”

Amended on Jun 17, 2022 passed by the Shareholder’s meeting

### 1. Purpose

This Procedure serves as a guideline for TSRC Corporation’s (the “Company”) acquisition or disposal of assets, and the Company shall handle such matters in accordance with this Procedure.

### 2. Scope

2.1 This Procedure applies to the Company

2.2 Scope of assets under this Procedure:

2.2.1 Investments in stocks, government bonds, corporate bonds, financial bonds, funds holding marketable securities, depositary receipts, call (put) warrants, beneficial interest securities and asset-backed securities.

2.2.2 Real estate property (including land, buildings and structures, investment properties, land-use right) and equipment.

2.2.3 Memberships

2.2.4 Patents, copyrights, trademarks, franchise rights and other intangible assets

2.2.5 Right-of-use assets

2.2.6 Claims on financial institutions (including receivables, bills purchased and loans and overdue receivables)

2.2.7 Derivatives

2.2.8 Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or share transfers in accordance with the law.

2.2.9 Other major assets

### 3. Reference Documents

3.1 “Regulations Governing the Acquisition and Disposal of Assets by Public

Companies” issued by the Securities and Futures Bureau of the Financial Supervisory, Commission, R.O.C (Taiwan).

- 3.2 The Company's regulations of organization (PNL-01).
- 3.3 Procedures for Management and Supervision of Investee Companies” (IMA-01), Construction Management Procedure of New Investment Project” (COP-02) and Long-Term Investment Plan Management Procedure” (CPO-01).
- 3.4 Procedure for Cash Management” (Fin-13).
- 3.5 Deleted.
- 3.6 TSRC Responsibility Hierarchy Management Procedure (PNL-34) and Delegation of Authority Management Procedure for TSRC and Subsidiaries (PNL-35).
- 3.7 Work rules

#### **4. Definitions**

- 4.1 Derivatives: Forward contracts, options contracts, future contracts, leveraged 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-sale service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- 4.2 Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or share transfer in accordance with laws shall be 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(8) of the Company Act.
- 4.3 Deleted.
- 4.4 Related party or subsidiary: Defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.5 Professional appraiser: Real estate property appraiser or the person authorized by law to engage in appraisal of the value of real estate property

or equipment.

- 4.6 Date of occurrence: the date of contract signing, date of payment, date of consignment trade, date of transfer, date of the board resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- 4.7 Investment in Mainland China: Investments in mainland China 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.
- 4.8 Most recent financial statement: the most recent CPA reviewed or audited financial statement before the asset is acquired or disposed.
- 4.9 Competent Authority: Financial Supervisory Commission, R.O.C. (Taiwan).
- 4.10 Total assets: total assets of the Company shall be based on the latest standalone financial statement.
- 4.11 If company shares without par value or the denomination per share is not NT\$10, the calculation of transaction amounts of 20 percent of paid-in capital under this Procedure, ten percent (10%) of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of this 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..

## **5. Operating Procedures**

- 5.1 Acquisition or disposal of real estate property, equipment or right-of-use assets
  - 5.1.1 Responsible departments: the departments that make use of the real estate property or equipment and/or other relevant departments
  - 5.1.2 Assessment and execution: the acquisition and disposal of real estate or equipment shall be assessed and executed by the

responsible departments.

- 5.1.3 Transaction terms and reference basis: the terms of a real estate property transaction shall be determined through cost-benefit analysis and reference data from government assessed land value, appraisal values, and transaction prices of real estate properties in the surrounding neighborhoods

If the transaction is twenty percent (20%) or more of the Company's paid-in capital, or NT\$300 million or more, the Company shall obtain appraisals from a professional appraisers prior to an acquisition or disposal unless the deal involves a transaction with the government, engaging others to build on the Company's land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of- use assets for business use. The Company shall further act in accordance with the following:

- 5.1.3.1 If the price for an asset to be acquired or disposed of falls outside of the range of market prices, the transaction shall be submitted for approval by the Board (the "Board") in advance . Any amendments to the transaction shall follow the same procedure.
- 5.1.3.2 Where such a transaction is NT\$1 billion or more, the Company shall obtain a minimum of two (2) professional appraisals.
- 5.1.3.3 If any of the following discrepancies occur, a certified public accountant ("CPA") shall be engaged to assess the value of the appraisal and render an opinion on the reason for the discrepancy and the reasonableness of the transaction price unless the appraised value was higher than the transaction price for an acquisition were or lower than the transaction price in a disposal:
- (1) The discrepancy between the appraisal result and the transaction value is twenty percent (20%) or more of the transaction amount.
  - (2) The discrepancy between the professional appraisals is ten percent (10%) or more of the transaction value.

- 5.1.3.4 The time between the date the appraisal is issued and the date the contract is executed shall not be more than three (3) months. However, if government assessed land value for the same time period is available and not more than six (6) months old, an opinion may still be issued by the original professional appraiser.
  - 5.1.4 The transaction amount shall be calculated in accordance with 5.9.2.1 (7). "Within the preceding year" herein refers to one-year period preceding the date the transaction occurred. Transactions that have already obtained a professional appraisal or an opinion from a CPA shall be excluded from this calculation.
- 5.2 Acquisition or disposal of securities
  - 5.2.1 Responsible departments: The department responsible for investment in securities categorized as current assets is the Finance Department; the department responsible for investment in securities categorized as non-current assets is the department in charge of investment affairs.
  - 5.2.2 Assessment and execution: The responsible departments that acquire and dispose of securities.
  - 5.2.3 The decision method of transaction terms and reference basis:
    - 5.2.3.1 The price of a security shall be determined by analyzing its net asset value, profitability, future growth potential, market interest rate, coupon rate and debtors' credit and referencing the opinions of securities experts and market valuation.
    - 5.2.3.2 To serve as a basis for evaluating the price of a security, the Company shall obtain the relevant and the latest CPA audited or reviewed financial statements prior to the date of a transaction.
    - 5.2.3.3 If the transaction value is NT\$ 300 million or more, the Company shall consult a CPA before the transaction date to obtain an opinion on the reasonableness of the transaction price. This requirement shall not apply to publicly listed securities with an active market for its

shares, or where otherwise provided by local regulations.

5.2.4 The transaction amount shall be calculated in accordance with 5.9.2.1 (7). "Within the preceding year" herein refers to one-year period preceding the date the transaction occurred. Transactions that have already obtained a professional appraisal or an opinion from a CPA shall be excluded from this calculation.

5.3 Acquisition or dispose intangible assets, right-of-use assets or memberships

5.3.1 Responsible departments: The departments which make us of the memberships or intangible assets and the departments with responsibilities related to these assets.

5.3.2 Assessment and Execution: The responsible departments that acquire and dispose of membership card and intangible assets.

5.3.3 The decision method of transaction terms and reference basis:

5.3.3.1 The benefits incurred and the most recent prices of transactions shall be considered for the acquisition or disposal of memberships. The international or market practices, the length of useful life and the impact on the Company's business and technology shall be considered for the acquisition and disposal of intangible assets such as patents, copyrights, trademarks and licenses or right-of-use assets.

5.3.3.2 If the transaction amount is twenty percent (20%) or more of the company's paid-in capital, or if the amount is NT\$ 300 million or more, the Company shall consult a CPA prior to the date of a transaction to provide an opinion regarding the reasonableness of the transaction price unless the deal involves transaction with a government agency.

5.3.4 The transaction amount shall be calculated in accordance with 5.9.2.1 (7). "Within the preceding year" herein refers to one-year period preceding the date the transaction occurred. Transactions that have already obtained a professional appraisal or an opinion from a CPA shall be excluded from this calculation.

5.4 Related party transactions

5.4.1 When the Company engages in any acquisition or disposal of assets from a related party, in addition to Articles 5.1, 5.2, and 5.3 above, the Company shall ensure the necessary resolutions are adopted and the reasonableness of the transaction terms is assessed. If the transaction amount is ten percent (10%) or more of the Company's total assets, the Company shall also obtain a professional appraisal or a CPA's opinion as prescribed above. The calculation of the aforesaid transaction amount shall be made in accordance with 5.9.2.1 (7)

"Within the preceding year" herein refers to one-year period preceding the date the transaction occurred. Calculations for the transaction price shall not include transactions where a professional appraisal or CPA opinion have already been obtained. When determining whether a party to a transaction is a related party, in addition to legal procedures, the substance of the relationship shall also be considered.

5.4.2 Evaluating the reasonableness of transaction costs: When acquiring real estate property or right-of-use assets from a related party, the Company shall consult a CPA to review the transaction cost and render an opinion, and the Company shall assess the reasonableness of the transaction costs based on the following:

5.4.2.1 The related party's transaction price, the interest on funds, and the buyer's costs. "Interest on funds" herein is the weighted average interest rate on borrowing during the year the Company is acquiring the property, however, this rate may not be higher than the maximum non-financial industry lending rate as disclosed by the Ministry of Finance.

5.4.2.2 The appraisal value from a financial institution where the related party has pledged the asset under consideration for a loan. This appraisal value can be used as a reference if the current outstanding loan amount is seventy percent (70%) or more of the appraisal value of the property and the loan has remained outstanding for more than a year. This shall not apply when the financial institution is related to one of the parties in the transaction.

5.4.2.3 When a transaction involves both land and the structures sitting on top of it, the transaction or leasing costs for the land and the structures may be separately appraised in accordance with either subparagraphs (1) and (2) above.

Where the Company acquires real estate property or right-of-use assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with 5.4.4 and the provisions in 5.4.2 shall not apply:

- (1) The related party acquired the real estate property or right-of-use assets through inheritance or as a gift.
- (2) The time signing the contract to acquire real estate property or right-of-use assets with the related parties exceeds five (5) years from execution of the contract.
- (3) The real estate property is acquired through signing a joint development contract with the related party, or through engaging a related party to build real property on either the Company's owned or rented land.
- (4) The real property right-of-use assets for business use are acquired by the Company and its parent company or its subsidiaries, or by its subsidiaries in which the Company directly or indirectly holds one hundred percent (100%) of the issued shares or authorized capital.

5.4.3 When the appraisal value of an assets is lower than the transaction price, the company shall:

5.4.3.1 Proceed in accordance to Article 5.4.2 except where objective evidence and the opinions obtained from a professional real estate appraiser and CPA indicates the existence of any of the following circumstances which shall proceed in accordance to subparagraph 5.4.3.2:

- (1) The related party acquires undeveloped land or leases land for development and submits proof of one of the



following conditions:

- (a) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three (3) years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (b) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
  - (c) Deleted.
- (2) Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

"Comparable real estate transactions" herein shall mean transactions between independent third parties for similar sized parcels of land within a distance of five hundred (500) meters or less from the proposed property or similar sized parcels of land that have comparable government assessed land value as announced by the competent authority. "Similar sized"

refers to the parcel of land whose area is no less than fifty percent (50%) of the property in the proposed transaction. "Within the preceding year" herein shall mean the year preceding the date of occurrence of the acquisition of the real property assets or right-of-use assets.

5.4.3.2 When the Company acquires real estate property or right-of-use asset from a related party and the results of the appraisals conducted in accordance with subparagraphs 5.4.2 and 5.4.3.1 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 transaction price of the real estate property or right-of-use assets and the appraised cost. This special reserve may not be used for capital increase or issuance of bonus shares. If investors evaluating the company's investment by equity method is a public company, the special reserve called for under Article 41, paragraph of the 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 subparagraphs (1) and (2) above shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

5.4.4 Procedure to pass a resolution: when the Company intends to acquire or dispose of real estate property or right-of-use assets from or to a related party and the transaction amount reaches twenty percent (20%) or more of paid-in capital, ten percent (10%) or more of the Company's total assets, or NT\$300 million or more, the Company may not enter into a contract or make a payment until the following matters have been approved by the Board, with the exception of trading of government bonds or bonds under

repurchase and resale agreements, or subscription or redemption of domestic money market funds,

- 5.4.4.1 The purpose, necessity and expected benefit for the acquisition or disposal of assets.
- 5.4.4.2 The reason for selecting the related party as a party for the transaction.
- 5.4.4.3 The relevant information of reasonableness of transaction terms to acquire real estate property or right-of-use asset from the related party in accordance with Article 5.4.2 and 5.4.3.
- 5.4.4.4 The date and price during which the related party originally acquired the real estate property, the other party to the original transaction and the relationship of the other party to the Company and to the related party.
- 5.4.4.5 A monthly cash flow forecast for the next twelve (12) months commencing from the month of the scheduled signing of the contract, an evaluation on the necessity of the transaction and the reasonableness on the use of funds for the transaction.
- 5.4.4.6 An appraisal report from a professional appraiser or an opinion from a CPA in accordance with Article 5.4.1.
- 5.4.4.7 Covenants and other stipulations related to the transaction.

The acquisition or disposal of equipment or right-of-use and real estate property right-of-use for business use between the Company and its parent company or its subsidiaries in which the Company directly or indirectly holds one hundred percent (100%) of the voting shares or between the subsidiaries in which the Company directly or indirectly holds one hundred percent (100%) of the voting shares with the amount of NT\$300 million or less may be approved by the Chairman with authorization from the Board and the decision shall be submitted for ratification at the next Board meeting. The company has a transaction stated in paragraph 1 with the transaction amount reaching 10% of the Company's total assets and above, the execution of the

contract and the payment shall be subject to the consent of the shareholders' meeting after the Company has submitted the information stated in subparagraphs under paragraph 1 to the shareholders' meeting. However, this shall not apply to transactions between the Company and its parent company or subsidiaries, or between subsidiaries.

The transaction amount for the three preceding paragraphs shall be calculated in accordance with 5.9.2.1(7). "Within the preceding year" herein refers to one-year period preceding the date the transaction occurred. Transactions that have already been approved by the shareholders' meeting and the Board shall be excluded from this calculation.

#### 5.4.5 Other Considerations:

5.4.5.1 A special reserve is set up in accordance under the paragraph 5.4.3.2 and shall not be utilized until it has been 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 unless approval from the competent authority is obtained.

5.4.5.2 When the Company acquires real estate property or right-of-use assets from a related party and there is other evidence indicating that the circumstances surrounding the transaction do not conform to conventional business practices, the Company shall comply with paragraphs (1) above and 5.4.3.2.

#### 5.5 Derivatives Transactions

##### 5.5.1 Trading principles and strategies:

5.5.1.1 Forward contracts, options contracts, future contracts, leveraged 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-sale service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

5.5.1.2 Operating (hedging) strategies: the Company may engage in hedging based on business needs. The Company shall not engage in speculative trading and shall not engage in any transaction other than hedging for business needs without the approval of the Board.

5.5.1.3 Delegation of authority:

(1) The Board:

- (a) Approving the type and structure of a derivative transaction.
- (b) Designating senior managers to monitor and manage derivatives trading.
- (c) Periodically assessing whether the performance of derivatives trading is consistent with established operational strategy and whether the risks being undertaken is within the permits of the Company's tolerance of risk.
- (d) Approving non-hedging contract at any amount and individual hedging contract amount exceeding NT\$300 million.
- (e) Delegating Chairman of the Company to approve the list of authorized trading personnel of Finance Department.

(2) The Finance Department:

- (a) The Finance Department shall be responsible for the derivatives operation. The trading personnel may directly trade the hedging

contracts with each transaction amount under NT\$ 300 million (including) and report them to the most recent board meeting of the Company.

- (b) Providing a transaction certificate in a timely manner upon completion of a transaction.
- (c) Custody of the transaction contract.

(3) Accounting Department:

The Accounting Department shall be responsible for book keeping and regular assessments of unrealized gains and losses on the balance of the positions held in derivatives trading

5.5.1.4 Deleted.

5.5.1.5 Limits on transaction amount and the limit of maximum loss on a single contract and all contracts:

(1) Hedging operations

- (a) The total amount of contracts for hedging transactions shall not exceed the actual business needs.
- (b) The maximum loss of limit on all contracts and on individual contract are both 15 percent (15%) of the contract amount.

(2) Non-hedging transactions

- (a) The total amount of contracts for non-hedging transactions shall not exceed fifty percent (50%) of the Company's paid-in capital as stated in the latest financial statements.
- (b) The limit of total maximum loss on the Company's non-hedging contracts shall not exceed fifteen percent (15%) of the total value of all contracts.
- (c) The limit of maximum loss on the Company's individual non-hedging contracts shall not

exceed fifteen percent (15%) of the value of the individual contract.

5.5.1.6 If losses from all or individual contracts exceed the limit of maximum loss, the Company shall take immediate action and report to the Board. However, if the circumstances clearly indicate that losses are within the scope of control, exceptions may be offered with authorization from the Board.

#### 5.5.2 Operating Procedures

5.5.2.1 Approval from authorized managers shall be obtained and an assessment of the risks and benefits shall be conducted before engaging in a derivatives transaction.

5.5.2.2 When trading personnel engages in transactions within authorized limits, they shall immediately submit a transaction certificate to their supervisor for a signed approval.

5.5.2.3 When trading personnel are looking to engage in transactions that exceed authorized limits, they shall submit a transaction certificate and obtain a signed approval from an authorized manager in advance.

5.5.2.4 The transaction certificate shall be delivered to and confirmed by the settlement personnel on the same day the transaction taken place.

#### 5.5.3 Risk Management

##### 5.5.3.1 Scope:

(1) Credit risk management: Diversification among counterparties to transactions shall be pursued to reduce non-performance risk.

(2) Market risk management:

(a) Being cognizant of the changes in the political and financial environment.

(b) Establishing the maximum amount of aggregate contracts and loss limits on all

transactions.

- (c) Being attentive to adverse price movements and their impacts on the Company and to diversify these risks using appropriate financial instruments.
  - (d) Adopting conservative hedging or trading strategies.
- (3) Liquidity Risk Management:
- (a) To understand the degree of liquidity on various financial instruments and utilizing them to diversify market risk.
  - (b) To ensure liquidity, the finance and investment institutes shall have sufficient equipment, information and trading capabilities.
- (4) Cash flow risk: to ensure the Company's working capital needs are met, cash flow projections shall be taken into consideration prior to entering into a transaction.
- (5) Operational risk management: the Company shall comply with authorized limits and operating procedures to avoid any operational risk.
- (6) Legal risk management:
- (a) Ensuring transactions in compliance with the law.
  - (b) Transaction documents, contracts and facility agreements and other relevant legal documents shall be reviewed by the Company's legal department or an external legal counsel before it is signed.

5.5.3.2 The trading, confirmation, and settlement functions shall be separate from one another and no single person shall be responsible for more than one function at any given time.

5.5.3.3 The person responsible for the risk assessment, monitoring, and management of derivative transactions shall be a department separate from those described



above in subparagraph (2) and shall report directly to the Board or senior managers who are not responsible for the decisions making on transactions or for any of the departments mentioned in subparagraph (2).

5.5.4 Internal audit:

The Company's internal audit staff shall periodically examine the adequacy of internal controls on derivatives trading and conduct monthly audits on the trading department's compliance to the Derivatives Trading Procedures and prepare an audit report. If any material violation is discovered, the Board shall be notified in writing.

5.5.5 Regular assessments

5.5.5.1 The Accounting Department shall account for unrealized gains and losses on the balance of derivatives transaction at market price or fair value.

5.5.5.2 Positions in derivatives trading shall be evaluated by the Finance Department at least once per week. Hedging transactions for business needs shall be evaluated at least twice a month. Evaluation reports shall be submitted to senior managers authorized by the Board.

5.5.6 The Board shall be responsible for the supervision on derivative transactions in accordance with the following guidelines:

5.5.6.1 Appoint senior managers to monitor and manage the risks arising from derivatives transactions. Senior managers authorized by the Board shall manage the transactions in accordance with the following guideline:

- (1) Periodically assess whether the risk management measures employed are appropriate and in accordance with this Procedure.
- (2) When irregularities are discovered, appropriate measures shall be taken immediately and reported to the Board. Independent Directors shall attend the board meeting and their views shall be

recorded in the meeting minutes of the Board.

5.5.6.2 Periodically assess whether the performance of the derivatives transactions falls in line with the established operational strategy and whether the risk undertaken falls within the Company's risk tolerance.

5.5.7 Accounting Treatment:

5.5.7.1 The Company shall follow generally accepted accounting principles, applicable laws and regulations when engaging in derivatives transactions.

5.5.7.2 Information on these transactions shall be disclosed in the financial statements according to the Guidelines for Disclosure of Information.

5.5.8 Other considerations:

5.5.8.1 The person authorized to engage in derivatives transactions shall report the executed transactions at the next board meeting.

5.5.8.2 Establishing a log book: Accounting Department shall establish a log book of derivatives transactions and record details including the transaction type and amount, date of the board meeting approving the transaction and issues under paragraphs 5.5.5.2, 5.5.6.1(1) and 5.5.6.2.

5.5.8.3 The subsidiaries of the Company shall engage in derivatives transactions in accordance with this Procedure. The overall trading position is not subject to its upper limit but shall not exceed the limit of the combination of the total trading positions of the Company and subsidiaries.

5.6 Mergers, Spin-offs, Acquisitions, and Share Transfers

5.6.1 Assessment and Operating Procedure:

5.6.1.1 Obtaining expert opinion and submitting proposals to a board meeting: For mergers, spin-offs, acquisitions, or share transfers, the Company shall consult a CPA,

attorney, or securities underwriter to comment on the reasonableness of the proposed terms and conditions for such transactions and submit to the Board for approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger made between the Company and its subsidiary in which it directly or indirectly holds one hundred percent (100%) of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds one hundred percent (100%) of the respective subsidiaries' issued shares or authorized capital.

5.6.1.2 Shareholders' meeting:

- (1) A public document containing major terms and conditions and other relevant information on a merger, spin-off, acquisition, or share transfer along with expert opinions in subparagraph (1) shall be provided to the shareholder for approval, except for transactions that don't require shareholder's approval by law.
- (2) A disclosure including the reasons, planned actions, and the date of the next shareholders' meeting shall be made to the public if any party of the companies, that are involved in a merger, spin-off or acquisition, is unable to convene a shareholders' meeting or pass a resolution due to lack of a quorum, lack of voting rights or other legal restrictions, or the proposal was rejected at the shareholders' meeting.

5.6.2 Other considerations:

- 5.6.2.1 The date for holding a board and a shareholder' meeting: the Company, involved in a merger, spin-off or acquisition shall hold a board meeting and a shareholders' meeting on the same day to resolve related matters, unless provided otherwise by law or

under special circumstances with prior approval from the competent authority. The Company involved in a share transfer shall hold a board meeting on the same day of the transfer unless provided otherwise by law or under special circumstances with prior approval from the competent authority.

5.6.2.2 Confidentiality: All persons being involved in or aware of the plan for a merger, spin-off, acquisition, or share transfer shall issue a written undertaking of confidentiality and shall not trade, in his or her own name or under the name of another person, in any stock or other equity type securities of the companies involved in the transaction.

5.6.2.3 Changes in the share exchange ratio or acquisition price: the Company shall not arbitrarily alter the share exchange ratio and shall stipulate the exceptions permitting such changes to the contract. The following is a list of exceptions:

- (1) A capital increase of cash, the new issuance of convertible corporate bonds, stock grants, corporate bonds with warrants, preferred shares with warrants, stock option certificates, or other equity type securities.
- (2) An action that affects the Company's financial position, such as the disposal of major corporate assets.
- (3) A major disaster or major change in technology that affects shareholders' equity or the share price of the Company.
- (4) An adjustment in the repurchase of treasury stock, in accordance with the law, by any of the companies participating in the merger, spin-off, acquisition, or share transfer.
- (5) An increase or decrease in the entities or the primary participants in the merger, spin-off, acquisition, or share transfer.

(6) Other conditions that shall be changed and set forth in the contract have already been made publicly disclosed

5.6.2.4 Required contract terms: the contract of a merger, spin-off, acquisition, or share transfer shall specify the rights and obligations of the participating companies and shall include:

(1) Actions to take in the event of a breach of contract.

(2) The treatment of equity type securities that have already been issued or treasury stock of a company that has either been merged or spun-off.

(3) The amount of and the rules governing the buyback of treasury stock by the participating companies after the date of record for setting the share exchange ratio.

(4) Actions to take in the event of a change in either the number or identity of involved entities.

(5) A timetable leading up to the completion of the transaction.

(6) As required by law, the terms of the contract shall include a pre-set date and relevant procedures to convene a shareholders' meeting in the event an unexpected delay occurs to the timetable.

5.6.2.5 Changes in the number of companies participating in a merger, spin-off, acquisition or share transfer: after the disclosure to the public from any of the involved parties, if any of the involved parties intend to further engage in a merger, spin-off, acquisition, or share transfer with another independent third party, all the original parties involved that have completed the required procedures and complied with all legal requirements shall restart the disclosure process, unless the number of parties involved is reduced and the shareholders approved and authorized the Board to change the authority granted to it.

5.6.2.6 The Company shall sign agreements with a non-public company participating in a merger, spin-off, acquisition,

or share transfer in accordance with paragraphs (1), (2), and (5) above.

5.6.2.7 Retaining and reporting of information: when the Company or its subsidiaries are involved in a merger, spin-off, acquisition, or shares transfer and is a publicly listed company or whose shares are traded on an over-the-counter market, the Company shall prepare a written record and retain it for five (5) years. The record shall contain all of the following:

- (1) Basic information on involved persons: to include job titles, names, and National ID numbers (or passport numbers for foreign nationals) of all persons involved in the merger, spin-off, acquisition, or share transfer prior to the disclosure of the transaction to the public.
- (2) Important dates: to include the signing date of a letter of intent or memorandum of understanding, date of appointment of a financial or legal advisor, contract signing date and dates of the board meetings.
- (3) Important documents and meeting minutes: to include matters relating to the merger, spin-off, acquisition, and share transfer, the letter of intent or memorandum of understanding, important contracts and meeting minutes of the Board.

For transactions involving a merger, spin-off, acquisition, or share transfer, the company shall report (in the required form and via the Internet-based information system) the information set out in Subparagraphs 1 and 2 of the preceding paragraph to the competent authority within two (2) days after the approval of the transaction by the Board.

Where any 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 (over-the-counter) market, the company so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding paragraph.

#### 5.7 Acquisition or disposal of financial institution debt

If the Company intends to engage in this type of transaction, it shall obtain the advanced approval from the Board before establishing assessment and operating procedures.

#### 5.8 Authorization and limits

5.8.1 Except machinery and equipment or right-of-use assets for business use and transactions involving related parties, acquisition or disposal of real estate property, right-of-use assets, other fixed assets, equity investment and convertible corporate bond less than NT\$300 million shall be approved by the responsible department. Transactions NT\$300 million or more shall be approved by the Board

5.8.2 In addition to the acquisition of assets for a business purpose, the Company and its subsidiaries may invest in real estate property, right-of-use assets and securities not intended for a business purpose within the limits detailed below: The total investments in real estate property and right-of-use assets shall not exceed fifty percent (50%) of the Company's net worth; total amount of securities approved shall not exceed two hundred percent (200%) of the Company's net worth; the limit for one single security shall not exceed seventy-five percent (75%) of the Company's net worth unless obtain the approval from the shareholder's meeting.

The total amount of real estate property or right-of-use assets for non-business use acquired by subsidiaries shall not exceed fifty percent (50%) of the Company's net worth; total amount of securities shall not exceed one hundred percent (100%) of the Company's net worth; the limit for one single security shall not exceed seventy-five percent (75%) of the Company's net worth.

#### 5.9 Disclosure of Information

5.9.1 The Accounting Department is responsible for the disclosure and

reporting.

5.9.2 Procedure and standards for disclosure and reporting

5.9.2.1 When acquiring or disposing of assets, the Company shall disclose the relevant information on a website designated by the competent authority, within two (2) days of the date of occurrence under the following circumstances:

- (1) Related party transactions involving either real estate property or right-of-use assets or assets other than real estate property or right-of-use assets whose transaction price is more than twenty percent (20%) of the Company's paid-in capital, ten percent (10%) of the Company's total assets, or more than NT\$300 million. Transaction involving government bonds or bonds under repurchase and resale agreements and the purchasing or redeeming of money market funds issued by domestic securities investment trust enterprises are excluded.
- (2) The initiation of a merger, spin-off, acquisition, or share transfer.
- (3) When losses from derivatives transactions exceed the maximum loss limits on either the aggregate contract amount or individual contract.
- (4) The assets acquired or disposed of is equipment or machinery or right-of-use assets for business uses, the party to the transaction is not a related party and the transaction amount meets any of the following criteria:
  - (a) The Company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
  - (b) The Company whose paid-in capital is NT\$10 billion or more, the transaction amount



reaches USD1 billion or more.

- (5) Investment with non-related party in real estate property at NT\$500 million or more and acquired through contracting out the construction of the building to another party on land owned or rented by the Company or joint development and separate ownership of sections of the building, land and building, or based on an agreed ownership ratio.
- (6) Besides the above situation, any acquisition or disposal assets or investment in mainland China reaches twenty percent (20%) or more of the Company's paid-in capital or NT\$300 million or more, except for the following circumstances:
  - (a) Trading of domestic government bonds or foreign bonds with a credit rating not lower than the sovereign rating in Taiwan.
  - (b) Trading bonds under repurchase or resale agreements, or purchase or redemption of money market funds issued by domestic securities investment trust enterprises.
- (7) The transaction amount shall be calculated according to:
  - (a) The amount of a single transaction.
  - (b) The value of all transactions involving assets of similar nature with the same party in a period of one (1) year.
  - (c) The value of all transactions for the same real estate development project or right-of-use assets in a period of one (1) year (acquisitions and disposals shall be accrued separately).
  - (d) The value of all transactions for the same securities in a period of one (1) year (acquisitions and disposals shall be accrued

separately).

"A period of one year" in the preceding paragraph shall mean the one (1) year period leading up to the date the transaction occurred. Transactions that have already been disclosed in accordance to this Procedure shall be excluded in the transaction amount.

5.9.2.2 The Company shall report the derivatives transactions of the Company and its domestic non-public subsidiaries in a prescribed format to a website designated by the competent authority before the 10th day of every month.

5.9.2.3 If the Company made an error or omission in its disclosure, the corrections shall be disclosed in its entirety in a new public announcement within two days counting inclusively from the date of knowing of such error or omission.

5.9.2.4 If any of the following circumstances occur in a transaction that the Company has already disclosed in accordance with Subparagraph 5.9.2.1, the Company shall disclose the related information on a website designated by the competent authority within two (2) days from the date of the occurrence of such circumstances:

- (1) A change, termination, or rescission of a signed contract.
- (2) A merger, spin-off, acquisition, or share transfer that is not completed by the scheduled date set forth in the contract.
- (3) A change in the information that has already been publicly disclosed.

5.9.2.5 Disclosure of information by a subsidiary:

- (1) When a subsidiary of the Company is not a domestic public, the Company shall be responsible for

disclosing any required information about the subsidiary's acquisition or disposal of assets.

- (2) When public disclosure provisions regarding twenty percent (20%) of the paid-in capital or ten percent (10%) of the total assets and subparagraph 5.9.2.1 are applicable to a subsidiary, the "paid-in capital" and "total assets" shall mean those of the Company.

5.10 Any violation of the Procedure by the managers or the responsible personnel shall be handled in accordance with the Work Rules.

5.11 The control procedures of the acquisition or disposal of assets by a subsidiary

A subsidiary shall establish and implement its "procedure for acquisition or disposal of assets" in accordance with this Procedure, obtain approval from the Board and submit the procedure to its shareholders for ratification. The same process shall apply for amendments to such procedures.

5.12 Miscellaneous provisions

5.12.1 This Procedure shall be implemented after approval by one half (1/2) of the Audit Committee, whereupon it shall be approved by the Board and the shareholders. The same process shall apply for amendments to the Procedure. If the Audit Committee does not approve the Procedure, the Board may overrule the Committee by a vote of two-thirds (2/3) or more of the Board. The Audit Committee's dissent shall be recorded in the meeting minutes of the Board. The Board shall take into consideration the views of the Independent Directors and shall record their consent and objections and reasons for their objections in the meeting minutes of the Board.

5.12.2 The Company shall acquire or dispose of an asset in accordance with this Procedure and applicable laws, shall be approved first by the by one half (1/2) of the Audit Committee and then the Board. If the Audit Committee does not approve the Procedure, the Board may overrule the Committee by a vote of Two-thirds (2/3) or more of the Board and shall record the Audit Committee's dissent in the meeting minutes of the Board.

- 5.12.3 The terms “all Audit Committee members” and “all Board of Directors” in this Procedure shall be counted as the actual number of persons currently holding those positions.
- 5.12.4 Professional appraisers and their agents, certified public accountants, attorneys, and securities underwriters which provide the Company with appraisal reports or opinions shall comply with the following:
- (1) May not have previously received a final and unappealable sentence to imprisonment for one (1) year or longer for a violation of 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 three (3) years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
  - (2) May not be a related party or de facto related party of any party to the transaction.
  - (3) If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other
- 5.12.5 When the Company acquires or disposes of assets through a court auction procedure, the certification issued by the court may be used in place of the appraisal report or CPA opinion.
- 5.12.6 The Company shall keep all contracts, meeting minutes, log books, appraisal reports and opinion issued by CPA, attorney, or securities underwriter related to the acquisition or disposal of an asset at the office of the Company and these records shall be retained for a minimum of five (5) years except where otherwise provided by law.
- 5.12.7 The form of a public announcement and the contents of an appraisal report for an acquisition or disposal of assets shall comply with the competent authority.

5.13 Supplemental provisions:

For matters not prescribed herein, applicable laws and regulations shall govern.

**6. Appendix: None.**