

# **Qisda Corporation**

## **Procedures for the Acquisition or Disposal of Assets**

### **Article I Purpose**

There are clear and specific operating rules for the company to acquire or dispose of assets, and this processing procedure is formulated in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the "Financial Supervisory Commission (FSC)".

### **Article II Scope of applicable assets**

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities, etc.
2. Real estate (including land, building and structures, real estate held for investment purposes, inventories of construction enterprises) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, foreign exchange rebate, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, split, acquisitions, or share transfer in accordance with law.
9. Other major assets.

### **Article III Appraisal and Operating Procedures**

When acquiring or disposing of assets, the implementation unit shall present to the responsible unit for the reasons acquiring or disposing of assets, the subject matter, the counterparty, the transfer price, the terms of receipt and payment and the price reference basis in accordance with the provisions of Article 16 of this Procedure. After the responsible unit approves, it will be implemented by the relevant unit.

### **Article IV Public disclosure of information`**

1. Under any of the following circumstances, the Company and its subsidiaries acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event.
  - (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
  - (2) Merger, demerger, acquisition, or transfer of shares.
  - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures adopted by the Company.

- (4) For acquisition or disposal of equipment which are for business using, and Right-of-use assets, where the trading counterparty is not a related party and the transaction amount is more than NT\$10 billion.
  - (5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, where the trading counterparty is not a related party and the amount the Company expects to invest in the transaction is more than NT\$500 million.
  - (6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of the Company's paid-in capital or NT\$300 million. Provided, this shall not apply to the following circumstances:
    - a. Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.
    - b. Trading of domestic government bonds.
- II. The transaction amounts in the preceding paragraphs shall be calculated in accordance with the methods provided below:
- (1) The amount of any individual transaction.
  - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
  - (3) The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
  - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- III. Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website within 2 days counting inclusively from the date of occurrence of the event, Change, termination, or rescission of a contract signed in regard to the original transaction : The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract : Change to the originally publicly announced and reported information.
- IV. Date of occurrence refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; 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.
- V. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days counting inclusively from the date of knowing of such error or omission.

## **Article V Appraisal report on for acquisition or disposal of properties, equipment or right-of-use assets**

- I. In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
  - (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
  - (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
  - (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
    - a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
    - b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- II. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
- III. The term "professional appraiser" refers to a real property appraiser or other people duly authorized by law to engage in the value appraisal of real property or equipment.

**Article VI The CPA's opinion shall be obtained for acquisition or disposal of securities, membership and intangible assets or right-of-use assets thereof**

- I. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply,

however, to publicly quoted prices of securities that have an active market, or were otherwise provided by regulations of the Financial Supervisory Commission (FSC).

- II. When acquiring or disposing of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- III. The calculation of the transaction amounts referred to articles 5 and this article shall be done in accordance with Article 4, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

## **Article VII Related Party Exclusion**

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since the completion of service of the sentence, since the expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- I. Prior to accepting a case, the personnel shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When examining a case, the personnel shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. The personnel shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. The personnel shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

**Article VIII The Company acquiring or disposing of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.**

**Article IX Related Party Transactions**

- I. The Company acquiring or disposing of assets from the related party, in addition to conduct relevant resolution procedures and evaluating the reasonableness of the transaction conditions in accordance with Article 5 to 8 and the provisions of this Article , for the transactions with amount exceeding 10% of the Company's total assets, the Company shall also obtain an appraisal report issued by professional appraisers or the opinions of CPAs in accordance with Article 5 to 8. The calculation of the transaction amount in the previous provision is conducted in accordance with Article 6, paragraph 3 herein.
- II. When a public company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been the audit committee and recognized by the Board of Directors. If an position of independent director has been created in accordance with the provisions, when a matter is submitted for discussion by the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. If an audit committee has been established in accordance with the provisions of the Act, shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 15, paragraphs 4 and 5:
  - (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
  - (2) The reason for choosing the related party as a transaction counterparty.
  - (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction conditions in accordance with the provisions of Paragraphs 3 to 6 of this Article.
  - (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
  - (5) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
  - (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
  - (7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to the procedures shall be made in accordance with Article 4, paragraph 2 herein, and "within the preceding year" as used

herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.

With respect to the acquisition or disposal of equipment or right-of-use assets thereof held for business use and real property right-of-use assets held for business use within NT\$500 million between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Chairman may facilitate execution and such endorsement / guarantee shall be submitted to the next Board of Directors' Meeting for ratification.

With respect to the types of transactions engage in the preceding transaction, when to be conducted between the Company's subsidiaries and their parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may delegate to decide such matters when the transaction is within NT\$250 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

III. The Company acquiring real property or right-of-use assets thereof from a related party, the following means for appraising the reasonableness of transaction costs shall be taken (Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph):

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

IV. The Company acquiring real property or right-of-use assets thereof from a related party and appraises the cost of the real estate or right-of-use assets in accordance with the provisions of 3 preceding paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

V. Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the paragraphs 2, and the paragraphs 3 and 4 do not apply:

- (1) The Related Party acquired the real property or right-of-use assets through inheritance or as a gift.
- (2) More than five years will have elapsed from the time the Related Party signed the contract to obtain the real property or right-of-use assets to the signing date for the current transaction
- (3) The real property or right-of-use asset is acquired through signing of a joint development contract with the Related Party or through contract development, where the Related Party as the developer, on the land of the Company or a third-party landowner
- (4) The acquisition of real property or right-of-use assets for business use, in which the Company

directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case between subsidiaries in which the subsidiaries directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

VI. Where the event that the results of the appraisal conducted in accordance with Paragraph 3 of this Article are uniformly lower than the transaction price, the company shall carry out the acquisition in accordance with Paragraph 7 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- (I) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - a. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in-floor or area land prices in accordance with standard property market sale or leasing practices.
- (II) Where a public 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 similar size by unrelated parties within the preceding year.

The aforementioned item "completed transactions for adjacent area" in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close to the latest official land price promulgated by the government. The term "the area of the property thereof are similar" in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. The term "within the preceding year" refers to the year retrospectively preceding the date of occurrence of the acquisition of the real property.

VII. Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding article of this article are uniformly lower than the transaction price, the following steps shall be taken:

- (I) A special reserve shall be set aside according to Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised value, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve required by law shall be set aside pro rata to the shareholding in accordance with Article 41-I of the Securities and Exchange Act.
- (II) Supervisors shall comply with Article 218 of the Company Act. Where an audit committee has been

established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.

(III) The processing status of (I) and (II) shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

(IV) Where the Company has set aside a special reserve under the preceding paragraph, the Company shall not utilize the special reserve until it has recognized a loss or decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission has given its consent. Where the Company obtains real property or right-of-use assets thereof from a related party, it shall also be handled in accordance with the provisions of this Article, if there is other evidence indicating that the acquisition was not an arm's-length transaction.

#### **Article X Engaging in Derivatives Trading**

It is handled in accordance with the "Processing Procedures for Derivative Financial Commodities Transactions" stipulated by the company.

#### **Article XI Mergers and Consolidations, Demergers, Acquisitions and Assignment of Shares**

I. Where the Company conducts a merger, demerge, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, engage a Certified Public Accountant, attorney, or securities underwriter to render an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other assets to shareholders, and submit it to the Board of Directors for discussion and resolution. However, merging the subsidiaries which direct and indirect holds 100% issued shares or amount of capital, or the merging between the subsidiaries which direct and indirect holds 100% issued shares or amount of capital, do not need to render an opinion on the reasonableness by professions.

II. The Company participating in a merger, demerge or acquisition shall prepare a public report to shareholders detailing important contractual content and relevant matters prior to the shareholders meeting and include it along with the expert opinion referred to in the paragraph I of this Article, when sending shareholders meeting invitation for reference in deciding whether to approve the merger, demerge, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, demerge, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies, participating in a merger, demerge, or acquisition, fails to convene or pass a resolution due to inadequate quorum, insufficient votes, or other legal restriction, or the proposal is vetoed by the shareholders meeting, the companies participating in the merger, demerge or acquisition shall immediately make public statement on the reasons, the follow-up measures, and the preliminary date of the next shareholders meeting.

III. Unless otherwise prescribed by law or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent, the Company participating in the merger, demerge or acquisition shall convene the Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerge or acquisition.

Unless otherwise prescribed by law or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent, the Company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction.



- IV. Each and every person participating in or possessing knowledge of the plan for merger, demerge, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to the public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerge, acquisition, or transfer of shares.
- V. A Public Company that participates in a merger, demerge, acquisition, or transfer of shares shall not arbitrarily alter the share exchange ratio or acquisition price unless under any of the circumstances enumerated below, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerge, acquisition, or transfer of shares:
- (I) Capital increase in cash, issuance of convertible corporate bonds, or issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity-based securities.
  - (II) An action such as a disposal of major assets that would affect the Company's financial operations.
  - (III) Occurrence of an event such as a major disaster or major change in technology that would affect shareholder equity or share price.
  - (IV) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - (V) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares. Other terms/conditions that the contract stipulates may be altered and the altered terms/conditions have been publicly disclosed.
- VI. A contract for participation by a public company in a merger, demerger, acquisition, or shares transfer shall expressly record the rights and obligations of the companies participating in the merger, split, acquisition, or transfer of shares, and also record the matters enumerated below:
- (I) Handling of breach of contract.
  - (II) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - (III) The amount of treasury stock participating companies are permitted under the applicable law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  - (IV) The manner to deal with a change in the number of participating entities or companies.
  - (V) Preliminary progress schedule for plan execution, and anticipated completion date of the execution.
  - (VI) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- VII. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends to further carry out a merger, split, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except where the number of participating companies is decreased and a participating company's shareholders meeting has resolved a decision authorizing the Board of Directors to alter the limits of authority. Such a participating company may be exempted from calling another shareholders meeting to resolve the matter anew.

- VIII. When participating in a merger, split, acquisition, or transfer of another company's shares, the Company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:
- (I) Basic information of the personnel: Including the titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning of any merger, demerger, acquisition, or transfer of another company's shares or the implementation of the plan prior to disclosure of such information.
  - (II) Dates of material events: Including the dates of signing any letter of intent or memorandum of understanding, retaining a financial advisor or legal counsel, execution of a contract, and the convening of a Board of Directors meeting.
  - (III) Material documents and minutes: Including documents for merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.
- IX. When participating in acquisition, or transfer of another company's shares, the Company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the Financial Supervisory Commission for recordation.
- X. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is neither listed on an exchange nor traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the requirements as set forth under paragraphs 8 and 9 of this Article.
- XI. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of this article \ paragraph 3 \ paragraph 4 \ paragraph 7 to paragraph 10.

#### **Article XII: Penalty**

The company's managers and personnel in charge who violate this procedure intentionally or grossly negligent shall be dealt with in accordance with the company's personnel and administrative rules and regulations.

#### **Article XIII: Control procedures for subsidiaries engaged in derivative commodity transaction processing procedures**

- I. The acquisition or disposal of assets by the subsidiary of the company shall be handled in accordance with this procedures. However, the subsidiary has established "Handling Procedures for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the Financial Supervisory Commission, and has taken into consideration the opinions of the company, the subsidiary can handle in accordance with their procedures.
- II. For subsidiaries not belonging to domestically public listed companies, if the acquisition or disposal of assets reaches the publishing and reporting standard defined in the provisions of Article 4, the Company shall conduct the publishing and reporting on behalf of the subsidiaries.
- III. Urge the subsidiaries to check whether the set handling procedures comply with the relevant standards and whether the relevant matters implement such procedures accordingly.

#### **Article XIV: Others**

- I. The term "transfer of shares " referred to in these Procedures means to transfer of shares from another company through issuance of new shares of its own as the consideration therefor under of the Company Act.
- II. The term “related party” and “subsidiaries” as used in these Procedures mean those parties defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- III. Subsidiaries are subject to the regulations on the amount of paid-in capital or total assets specified in Subparagraph 6 of Paragraph 1 of Article IV, and the amount of paid-in capital or total assets of the company shall prevail.
- IV. For the calculation of 10 % of total assets under this procedure, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.
- V. The term “investments in China” means investments made in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area by the Investment Commission of the Ministry of Economic Affairs, R.O.C.
- VI. The term “announcement and declaration” referred to in this procedure refers to the information declaration website designated by the Financial Supervisory Commission.
- VII. In the case that this Procedure is incomplete, all procedures shall be in accordance with related Articles of Securities and Exchange Act.

**Article XV:** The Procedures requires the adoption of the Board and submission to the supervisors in addition to reporting to the Shareholders Meeting for approval before implementation. The same procedures apply to amendment, if a Director expresses dissent and this is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to the supervisors. If an Audit Committee has been established pursuant to the Securities and Exchange Act, when submitting the Procedures for Acquisition of Disposal of Assets to the Board meeting for discussion pursuant to the foregoing provision, the Board shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board meeting.

If the Company establishes the Audit Committee, the formulation and amendment of the Procedures shall be approved by more than half of all Audit Committee members first and then submitted to the Board for approval.

If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, such procedures could be approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the Minutes of the Board of Directors' Meeting. The calculation of the number of the above-mentioned audit committee members and Directors is based on those who take office.

**Article XVI:** In the case of the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each Supervisor.

If an audit committee has been established in accordance with the provisions of the Act, any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 15, paragraphs 4 and 5.

The total amount of the company's investment in securities, the limit of individual investment, and the total amount of real estate not for business use and the real estate of right to use, after authorizing the board of directors to specify the limit, will be incorporated into this processing procedure.

Asset Item	The Company		The subsidiaries		Total Amount of Investment	Limits for Individual Investment
	Approval Personnel	Approval and Decision	Approval Personnel	Approval and Decision		
Real estate and right-of-use assets for non-operating purpose	Board of Directors Chairman	Above <u>NT\$300,000,000</u> Under <u>NT\$300,000,000</u> (incl.)	Board of Directors Chairman	Above <u>NT\$150,000,000</u> Under <u>NT\$150,000,000</u> (incl.)	30% of net equity	15% of net equity
Equity investment	Board of Directors Chairman	Above <u>NT\$300,000,000</u> Under <u>NT\$300,000,000</u> (incl.)	Board of Directors Chairman	Above <u>NT\$150,000,000</u> Under <u>NT\$150,000,000</u> (incl.)	200% of net equity	50% of net equity
Long-term Guaranteed or Collateralized Bonds	Chairman President	Above <u>NT\$100,000,000</u> Under <u>NT\$100,000,000</u> (incl.)	Chairman President	Above <u>NT\$50,000,000,000</u> Under <u>NT\$50,000,000,000</u> (incl.)	30% of net equity	15% of net equity
Short-term bonds and money market fund	Chief financial officer Financial manager	Above <u>NT\$50,000,000</u> Under <u>NT\$50,000,000</u> (incl.)	Chairman President	Above <u>NT\$25,000,000,000</u> Under <u>NT\$25,000,000,000</u> (incl.)	30% of net equity	15% of net equity
Other securities	Chairman President	Above <u>NT\$100,000,000</u> Under <u>NT\$100,000,000</u> (incl.)	Chairman President	Above <u>NT\$50,000,000,000</u> Under <u>NT\$50,000,000,000</u> (incl.)	10% of net equity	5% of net equity

- ※ Short-term bonds shall not be operated through the principle of doubling the multiplier by any means of pledge, margin or similar, which will result in the effect of expanding profits and losses.
- ※ Investment and establishment of the company's direct or indirect holding of 100% of the shares of subsidiaries are not subject to the limit of the total investment of long-term equity.
- ※ The equity refers to total equity attributable to shareholders of each company in balance sheet.

#### **Article 17: The Procedures were adopted on June 7, 1991.**

The first amendment was made on April 17, 1993.

The second amendment was made on August 17, 1995.

The third amendment was made on April 30, 1997.

The fourth amendment was made on April 16, 1998.

The fifth amendment was made on October 28, 1999.

The sixth amendment was made on May 23, 2003.

The seventh amendment was made on June 15, 2007.

The eighth amendment was made on June 16, 2009.

The ninth amendment was made on June 12, 2012.

The tenth amendment was made on June 26, 2014.

The eleventh amendment was made on June 22, 2017.

The twelfth amendment was made on June 21, 2019.

The thirteenth amendment was made on August 27, 2021.