

**Yuanta Financial Holding Company**  
**Procedures for the Acquisition or Disposal of Assets**

*Approved by the Board of Directors on March 26, 2002 (3rd meeting of the 1st board)*

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**Section One: General Provisions**

**Article 1**

In accordance with Article 6 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the Company hereby establishes these Procedures.

**Article 2**

The Company shall follow these Procedures when it acquires or disposes of assets. However, in cases where financial related laws or regulations apply, those laws and regulations shall take precedence.

**Article 3**

Amendments to these Procedures shall require the approval of a majority of the full Audit Committee, and shall be submitted for approval to the board of directors.

If said amendments do not receive approval of a majority of the full Audit Committee, they shall require approval from two-thirds of the full board of directors, and shall additionally state the resolution of the Audit Committee in the board of directors' meeting minutes.

When amendments are submitted to the board of directors for discussion:

1. If a director expresses opposition in the meeting minutes or via a written

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statement, the documents relating to the director's opposition shall be sent to the Audit Committee.

2. The board of directors shall fully consider the views and opinions of the independent directors, and shall record the independent directors' reasons for their support or opposition to such amendments in the board of directors meeting minutes.

The "full Audit Committee" and "full board of directors" in Clause 1 of this article refer to the actual number of committee or board members serving at that time.

#### **Article 4**

The scope of application for the assets referred to in these Procedures includes:

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.
2. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) 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, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

#### **Article 5**

Terms used in these Regulations are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed

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through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 3 of the Company Act.

3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. 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.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Investment professional: refers to financial holdings companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
8. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
9. Over-the-counter venue ("OTC venue," "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

## Article 6

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

1. May not have previously received a final and unappealable sentence to imprisonment for one year or longer for a violation of the Securities and Exchange 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 three 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.

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

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

## **Article 6-1**

The Company shall adhere to these Procedures and other relevant laws and regulations and seek approval from the board of directors for the acquisition or disposal of assets; if directors express opposition in the meeting minutes or via written statement, the documents relating to the director's opposition shall be sent to the Audit Committee.

The Company's assets and derivative products business shall receive the approval of a majority of the full Audit Committee, and shall be submitted to the board of directors for approval, and shall adhere to the regulations of Article 3, Clauses 2 and 3 of these Procedures.

## **Section Two: Handling Procedures**

### **Part One: Asset Acquisition and Disposal**

#### **Article 7**

When the Company acquires or disposes of assets, it shall handle the transaction based on its amount in accordance with the Company's system of hierarchical responsibility and authorization.

The Company's investments in real estate shall be limited to those intended for Company use; such investments shall be reported to the regulatory authorities in advance.

The Company's investments in stocks shall be submitted to and approved by the Board of Directors, and shall be presented to the Financial Supervisory Commission (hereafter: the "FSC") for approval.

The Company's investments in government bonds or corporate bonds, treasury bills or bank negotiable certificates of deposit, and bank guarantees or bank's acceptance bills of the credit rating category (investment grade) specified by the regulatory authorities, and other specified commercial papers, shall adhere to the guidelines included in the Capital Use Risk Management Measures.

#### **Article 8**

In acquiring or disposing of real property, equipment, or the right-of-use assets where the transaction amount reaches 20 percent of the Company's paid-in capital

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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 the equipment for business use or the right-of-use assets, 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, and in case there are changes to the terms and conditions of the transaction afterward, the same procedure shall be followed.
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 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.
4. 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.

## **Article 9**

When acquiring or disposing of securities, the Company 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. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the FSC.

#### **Article 10**

Where the Company acquires or disposes of intangible assets or its right-of-use assets or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

#### **Article 10-1**

The calculation of the transaction amounts referred to in the preceding three Articles shall be done in accordance with Article 30, 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 11**

Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

#### **Article 12**

When the Company acquires assets, it shall have the Accounting Department provide an inventory of assets, as well as the relevant documentation, to the Administration Department, and at the end of every year, the Administration Department shall consider whether it is necessary to conduct an inventory together with the Audit Department and the Accounting Department.

#### **Article 13**

When assets of the Company's become unusable or it is discovered that they have been lost during the inventory, the Administrative Department shall report the matter according to the guidelines described in Article 7 and the sections of the Regulations Governing Assessment of Profit-seeking Enterprise Income Tax.

## **Part Two: Related Party Transactions**

### **Article 14**

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 10-1 herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

### **Article 14-1**

When the Company engages in non-credit transactions as per Article 45 of the Financial Holding Company Act, it shall adhere to the Company's Measures for Transactions with Related Parties as well as the Summarized Authorization Procedures for Non-Credit Transactions with Related Parties per Article 45 of the Financial Holding Company Act. For matters not specified in the two aforesaid documents, the Company shall adhere to these Procedures.

### **Article 15**

When the Company intends to acquire or dispose of real property or its right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or its right-of-use assets 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 domestic money market funds, the following information shall be approved by at least one-half of all members of the audit committee and submitted to the board of directors for resolution, and the provisions of Article 3, Paragraphs 2 and 3 shall be applied in order to sign the transaction contract and make payments:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.

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2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property or its right-of-use assets from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 16 and Article 17.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

If the Company or a non-domestic public company has the transactions of Paragraph 1 and the transaction amount reaches 10% or more of the Company's total assets, the Company shall submit the information listed in all the subparagraphs of Paragraph 1 to the shareholders meeting for approval before signing the transaction contract and making the payment. However, the Company and its subsidiaries, or the subsidiaries' transactions with each other, are not subject to this limitation.

The calculation of the transaction amounts referred to in Paragraph 1 and the preceding paragraph shall be made in accordance with Article 33, 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 submitted to the audit committee for approval by at least one-half of all members of the audit committee in accordance with the provisions of these Procedures and approved by the board of directors and shareholders meeting need not be counted toward the transaction amount.

#### **Article 16**

When the Company acquires real estate or its right-of-use assets from a related party, it shall take the following steps to evaluate the reasonableness of the transaction cost:

1. Based on the transaction price of the related party plus necessary fund interest, and the cost to be borne by the buyer according to law. The "necessary fund interest cost" shall be imputed based on the weighted average interest rate of the

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fund borrowed by the Company in the year of purchase of the asset; provided that such interest rate shall not be more than the ceiling of loan interest rate of non-financial industry published by the Ministry of Finance.

2. Based on the total assessed value for loan made by a financial institution if such object has been mortgaged to the financial institution for a loan; provided that the actual aggregate loan extended by the financial institution for the object shall reach 70% or more of the total assessed value and the loan period is more than one year. However, this shall not apply if the financial institution and either party of the transaction are related persons.

Where both the land and building on the property in question are purchased or leased, the cost of the real property may be reached by respectively imputing or evaluating such land and building based on either method described above.

A public company that acquires real property or its right-of-use assets from a related party and appraises the cost of the real property or its right-of-use assets in accordance with paragraph 1 and paragraph 2 shall also engage a CPA to check the appraisal and render a specific opinion.

Where a public company acquires real property or its right-of-use assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 15 and the preceding three paragraphs do not apply:

1. The related party acquired the real property or its right-of-use assets through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or its right-of-use assets to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

#### **Article 17**

When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the

transaction price, the matter shall be handled in compliance with Article 18. 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:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - 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 or leasing terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
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 transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or its right-of-use assets.

#### **Article 18**

Where the Company acquires real property or its right-of-use assets from a related

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party and the results of appraisals conducted in accordance with the preceding two articles 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 Act against the difference between the real property or its right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then 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. Audit Committee shall comply with Article 218 of the Company Act, which is applicable mutatis mutandis to the independent directors.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

When the Company sets aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Company obtains real property or its right-of-use assets from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms-length transaction.

### **Part Three: Engaging in Derivatives Trading**

#### **Article 19**

Trading principles and strategies:

##### **1. Trading Types**

In carrying out its derivative product business, the Company's primary focus is on avoiding operational management risks, and requires the approval of the board of directors.

##### **2. Operations and Hedging Strategy**

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- A. Set hedge trading amounts for individual contracts and total contracts.
  - B. Periodically evaluate the effectiveness of derivative product hedging.
  - C. Closely evaluate the counterparty's credit status and professional ability.
  - D. Ensure that all business areas and related procedures adhere to the Financial Holding Company Act, other relevant laws, and Company guidelines.
3. Division of Powers and Responsibilities
- A. The division of powers and responsibilities for respective departments is as below:
    - a. Finance Dept.: evaluation of business counterparties, transaction execution, transaction confirmation, settlement procedures, transaction controls, and measurement of transaction risk.
    - b. Accounting Dept.: account processing and announcement and reporting matters required by the regulatory authorities.
    - c. Administration Dept.: safekeeping of transaction contracts and transaction certificates.
    - d. Audit Dept.: audit of transaction procedures and operations.
    - e. Risk Management Dept.: monitoring risk control and tracking assessments.
  - B. The personnel that deal with the aforementioned transactions, make confirmation of these transactions and make settlements of these transactions shall not be the same. The evaluation, supervision and control of risk-related matters also shall be reported by persons from a different department to the board of directors or to the high-level managers who are not responsible for setting policies for transactions or positions to be engaged.
4. Performance Evaluation: Based on product type, at the close of trading on the day the contract expires, the Finance Dept. shall take the realized profit and loss net position to be used as a basis for the performance evaluation, and compare that to the previously set targets, profit and loss performance, and periodic reviews, to be presented to the Company's chairperson for review.
5. Contract Amount: The Company's contract amounts for derivative product business activities shall not exceed actual business needs, and the total amount of the hedged items shall serve as the maximum limit for the transaction; individual and total contract amounts shall not exceed 20% of the Company's net value.
6. Loss Limit: The Company engages in derivative transactions for the purpose of hedging risk and therefore no loss limit is necessary.

## **Article 20**

Authorized amount:

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1. Board of Directors: Shall be based on the approved derivative product contract types and amounts set out in Clause 5 of the previous Article.
2. Chairperson: Approve limits for extant contracts, net position limits, and business counterparty lists for individual derivative products and business departments.

### **Article 21**

Risk management measures and internal control system:

1. Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.
2. The Audit Dept. shall periodically review the acceptableness of the internal controls on derivative product business activities, and shall on a monthly basis audit business departments' derivative product business related handling procedures and legal compliance status, and compile an audit report; if any significant violations are found, the Audit Committee shall be given written notice.
3. The Risk Management Dept. shall monitor whether derivative product business risk is within the scope authorized by the Company, and shall periodically make risk evaluation reports to be submitted to top-level managers authorized by the board of directors.
4. If the Company's derivative product business activities touch on relevant laws in any way, the Company's Legal Dept. or external legal counsel shall be sought for consultation and advice.

### **Article 22**

Regular evaluation methods and the handling of irregular circumstances:

1. The Finance Dept. shall consider the amount of hedging business positions and changes on the market, and make an assessment at least twice per month, to be submitted to top-level managers authorized by the board of directors.
2. The board of directors shall authorize top-level managers to periodically monitor and evaluate: whether currently used risk management measures are appropriate and effective; whether derivative product business procedures are being carried out properly and in compliance with legal regulations; whether derivative product business is being performed according to the Company's operational strategy; whether the business is being conducted within the Company's acceptable range of risk. In the event that a violation or irregularity is discovered, the necessary response measures shall be taken, and then matter shall be immediately reported to the board of directors.

### **Article 23**

#### Supervision and management

When the Company engages in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:

1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures and the procedures for engaging in derivatives trading formulated by the company.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

### **Article 24:**

The Company shall establish a record book for derivative transactions, and the Finance Dept. shall record in the record book, on a case-by-case basis, the type and amount of derivative transactions engaged in, the authorized amount, the date of approval by the board of directors, and the items that should be carefully evaluated in accordance with Article 22, Paragraph 1, Subparagraph 2, Article 23, Paragraph 1, Subparagraph 2, and Paragraph 2 and Subparagraph 1.

## **Part Four: Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares**

### **Article 25**

When the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, if the Company directly or indirectly merges with a subsidiary company of which it already holds 100% of issued shares or total assets, or if two subsidiaries of which the Company directly or indirectly holds 100% of issued shares or total assets merge, it shall be exempt from seeking a reasonableness opinion from the aforementioned professionals.

### **Article 26**

When the Company participates in a merger, demerger, acquisition, or transfer of shares, it shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of the Company, when participating in a merger, demerger, or acquisition, fail to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

### **Article 27**

When the Company participates in a merger, demerger, or acquisition, it shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of



extraordinary circumstances and grants consent.

When the Company participates in a transfer of shares, it shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company 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 FSC for recordation.

When the Company participates in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the previous two provisions.

## **Article 28**

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may

not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

#### **Article 29**

When the Company participates in a merger, demerger, acquisition, or transfer of shares, it may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets that affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

#### **Article 30**

The Company's contract for participation in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or

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companies.

5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

### **Article 31**

When the Company participates in a merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, after public disclosure of the information, the Company shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and the Company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, the Company may be exempted from calling another shareholders meeting to resolve on the matter anew.

### **Article 32**

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 27, Article 28, and Article 31.

## **Section Three: Public Disclosure of Information**

### **Article 33**

Under any of the following circumstances, when the Company acquires or disposes of assets, it shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property or its right-of-use assets from or to a related party, or acquisition or disposal of assets other than real property or its right-of-use assets 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 domestic money market funds.
2. Merger, demerger, acquisition, or transfer of shares.

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3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the prescribed procedures adopted by the Company.
4. Acquiring real property by ways of mandating others to build on its land, mandating others to build on leased land, cooperatively building with others to split the units, cooperatively building with others to acquire the proportion of profits, or cooperatively building with others to separately sell the units. Furthermore, the transaction counterparty is not a related party and the Company expects to invest more than NT\$500 million in transaction amount.
5. Where an asset transaction other than any of those referred to in the preceding four subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - A. Trading of domestic government bonds or foreign government bonds with credit ratings not lower than the sovereign rating of Taiwan.
  - B. At home or abroad, securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds or ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the primary market, or subscription or selling back of securities for index investment securities, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
  - C. Purchase and sale of bonds with repurchase and resale conditions, and subscription or repurchase of money market funds issued by domestic securities investment trusts.

The amounts of transactions in the preceding paragraph shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real property or its right-of-use assets 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

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acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the tenth day of each month.

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.

When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, record books, appraisal reports, and opinion books of certified public accountants, attorneys, or securities underwriters, at the Company headquarters, where they shall be retained for five years except where another act provides otherwise.

If the competent authority subsequently rejects or accepts the Company's application for investment in mainland China after the Company has filed an announcement of investment in mainland China in accordance with these Procedures, the Company shall disclose on the Market Observation Post System the date of the original announcement, the name of the investee company in mainland China, the estimated investment amount, the counterparty, and the date of rejection or acceptance by the competent authority.

#### **Article 34**

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 designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

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1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

#### **Section Four: Additional Provisions**

##### **Article 35**

When carrying out control procedures for the acquisition or disposal of assets, the Company shall adhere to these Procedures. The Company shall supervise its subsidiaries to ensure adherence to the Asset Acquisition and Disposal Procedures guidelines contained in the FSC's Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and shall monitor whether the asset acquisition and disposal procedures set by subsidiary companies, as well as the subsidiary companies' self-review of asset disposal and acquisition activities, adhere to relevant regulations.

The Company's Audit Department shall approve subsidiary companies' asset disposal and acquisition self-examination reports.

##### **Article 36**

In the event that a Company employee violates these Procedures, they shall be disciplined according to the Company's relevant Personnel Regulations.

##### **Article 37**

Company subsidiaries which are not publicly listed domestic companies, in accordance with the regulations in the previous section of these Procedures, shall make relevant information disclosures via the Company.

The Company's paid-in capital or total assets shall be used to determine whether the Company subsidiaries mentioned in the previous paragraph shall make a public announcement and regulatory filing as required under Article 33, Paragraph 1.

##### **Article 37-1**

For the calculation of 10 percent of total assets under these Procedures, 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

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Financial Reports by Securities Issuers shall be used.

**Article 38**

These Procedures shall take effect, along with any subsequent amendments, upon receiving approval from the Company's board of directors, and shall be submitted to the shareholders meeting for approval.