

Procedures for Acquisition or Disposal of Assets of Tong Yang Industry Co.,Ltd.

Article 1: Purpose

The Procedures were established to protect our assets and implement information disclosure.

Article 2: Legal Basis

The Procedures were established according to relevant requirements under Article 36-1 of the Securities and Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the competent authority.

Article 3: Scope of Assets

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing an interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
- IX. Other major assets.

Article 4: Limits on investments in real property for non-business use and investments in non-derivative of securities

The individual limits for the acquisition of the above assets by the Company and subsidiaries are established as follows:

- I. For real property, not for business use, and its right-of-use assets, the total amount shall not exceed 25% of the net worth.
- II. The total amount of investments in long-term and short-term securities shall not exceed 100% of the net worth.
- III. The amount of investments in individual securities shall not exceed 50% of the net worth.

Article 5: 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:

- 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 self-regulatory rules of the industry associations to which they belong and with the following provisions:

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

Article 6: Procedures for the acquisition or disposal of real property, equipment, or its right-of-use assets

- I. Evaluation and operating procedures

The acquisition or disposal of real property, equipment or its right-of-use assets by the Company shall be subject to the real property, plant and equipment cycle procedures under the internal system of the Company.
- II. Procedures for the determination of transaction conditions and authorized amount
 - (I) In 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, when the transaction amount reaches NT\$500 million or more, it shall be approved by the Audit Committee, and submitted to and passed by the Board of Directors.
 - (II) Except for real property or its right-of-use assets set out in subparagraph (I), paragraph II of the Article, for the acquisition or disposal of real property or its right-of-use assets, the Company shall refer to the announced current value, appraised value, and the actual transaction price of neighboring real property or its right-of-use assets, and it shall be approved by the Audit Committee, and submitted to and passed by the Board of Directors.
 - (III) For the acquisition or disposal of equipment or its right-of-use assets, the Company shall adopt the method of either price inquiry, price negotiation, or tender; for any amount exceeding NT\$300 million, it shall be approved by the Audit Committee, and submitted to and passed by the Board of Directors.
- III. Execution unit

When the Company acquires or disposes of real property, equipment, or its right-of-use assets, the using department and management department shall be responsible for the execution after the transaction is approved based on the approval permission in

the preceding paragraph.

IV. Appraisal report of real property, equipment, or its right-of-use assets

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (I) Where due to special circumstances, it is necessary to provide 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.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; 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.
- (V) When the Company acquires or disposes of assets through the auction procedures by the court, it may provide the certifying documents issued by the court in lieu of the appraisal report or the certified public accountant's opinion.

Article 7: Procedures for the acquisition or disposal of securities

- I. Evaluation and operating procedures

The purchase and sale of the Company's long-term and short-term securities shall be subject to the investment cycle procedures under the internal system of the Company.
- II. Procedures for the determination of transaction conditions and authorized amount
 - (I) For securities transactions made in centralized transaction markets or OTC markets, the responsible unit shall make decisions based on the market conditions; those with amounts exceeding NT\$300 million shall be approved by the Audit Committee, and submitted to and passed by the Board of Directors.

(II) For securities transactions not made in centralized transaction markets or OTC markets, the Company shall obtain the latest financial statements of the target company certified or reviewed by an accountant prior to the date of occurrence as the reference for the evaluation of the transaction price, and consider its net worth per share, profitability, and future development potentials; those with amounts exceeding NT\$300 million shall be approved by the Audit Committee, and submitted to and passed by the Board of Directors.

III. Execution unit

When the Company invests in long-term and short-term securities, the dedicated unit shall be responsible for the execution after the transaction is approved based on the approval permission in the preceding paragraph.

IV. Acquisition of experts' opinions

(I) If the amount of the acquisition or disposal of securities is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authority.

(II) When the Company acquires or disposes of assets through the auction procedures by the court, it may provide the certifying documents issued by the court in lieu of the appraisal report or the certified public accountant's opinion.

Article 8: Procedures for the acquisition or disposal of intangible assets or its right-of-use assets, or membership

I. Evaluation and operating procedures

The Company shall consider the benefits for the acquisition or disposal of memberships, and determine with reference to the latest transacted price; for the acquisition or disposal of patents, copyrights, trademark rights, franchise rights, and other intangible assets, it shall determine with reference to international or market practices, the useful life, and the effects on the Company's technologies and businesses.

II. Procedures for the determination of transaction conditions and authorized amount

(I) For the acquisition or disposal of memberships, the Company shall prepare an analysis report with reference to the fair value in the market, the determined transaction conditions, and the transaction price; those with amounts exceeding NT\$50 million shall be approved by the Audit Committee, and submitted to and passed by the Board of Directors.

(II) For the acquisition or disposal of intangible assets or its right-of-use assets, the Company shall prepare an analysis report with reference to the appraisal report issued by an expert or fair value in the market, the determined transaction conditions, and the transaction price; those with amounts exceeding NT\$300 million shall be approved by the Audit Committee, and submitted to and passed by the Board of Directors.

III. Execution unit

When the Company acquires or disposes of intangible assets or memberships, the using department and finance department or administration department shall be

responsible for the execution after the transaction is approved based on the approval permission in the preceding paragraph.

IV. Acquisition of experts' opinions

Where the Company acquires or disposes 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.

Article 9 Procedures for the acquisition or disposal of assets with related parties

I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the procedures are adopted based on Article 6, Article 7, and Article 8, 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. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 10. In addition, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

II. Evaluation and operating procedures

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Audit Committee:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with subparagraphs (I) and (IV), paragraph 3 of the Article.
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, an evaluation of the necessity of the transaction, and the reasonableness of the fund's utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Article 6.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the

Company's Board of Directors may, pursuant to paragraph 2, Article 6, delegate the Board Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

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

When a matter is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions.

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders' meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 1 and the preceding paragraph shall be made in accordance with subparagraph 8, paragraph 1, Article 13, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders' meeting or Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.

III. Evaluation of the reasonableness of the transaction costs

- (I) The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 - 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan values of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- (II) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the

preceding paragraph.

(III) The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the subparagraphs (I) and (II), paragraph III of the Article shall also engage a CPA to check the appraisal and render a specific opinion.

(IV) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the relevant requirements under the evaluation and operating procedures in paragraphs 1 and 2 of the Article, and the requirements related to the reasonableness of the transaction costs in subparagraphs (I), (II), and (III), paragraph III of the Article do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
2. 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.
3. The real property right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

(V) When the results of the Company's appraisal conducted in accordance with subparagraphs (I) and (II), paragraph 3 of the Article are uniformly lower than the transaction price, the matter shall be handled in compliance with subparagraph (VI), paragraph 3 of the 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:

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

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

(VI) 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 subparagraphs (I) and (II), paragraph III of the Article are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
2. The Audit Committee shall comply with Article 218 of the Company Act.
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.

(VII) The Company that has set 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.

(VIII) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the subparagraphs (VI) and (VII), paragraph III of the Article if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 10: The calculation of the transaction amounts referred to in the four Articles above shall be made in accordance with subparagraph 8, paragraph 1 of Article 13, 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 according to the Procedures need not be counted toward the transaction amount.

Article 11: Procedures for acquisition or disposal of derivatives

I. Transaction principles and policies

(I) Transaction categories

Derivatives referred in the Procedures: 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 variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

(II) Operating (hedging) strategies

The Company shall engage in derivative transactions for hedging purposes. The transaction products shall be selected for hedging the risks of the Company arising from the business operations of the Company; the currencies held shall be aligned with the actual foreign currencies required for the actual import/export performed by the Company to square off the overall internal position (refers to currency income and expense) of the Company in principle, so as to minimize the overall foreign risk of the Company and save the foreign currency operating costs. The Company may also engage in non-hedging derivative transactions in due course; however, the transaction counterparty selected shall be financial institutions that have business dealings with the Company to avoid credit risks.

(III) Segregation of duties

1. The financial department shall be the responsible unit for the operations of derivatives, and it shall carry out transactions within the authorized limits; for changes in markets or conditions, or other requirements, the authorized amount may be increased/decreased after being approved by the Board of Directors.
2. The supervisor of the financial department (responsible unit) shall be the transaction personnel; approval from the President is required for any changes occurred.

(IV) Performance evaluation

1. Hedging transaction
 - (1) The basis of the performance evaluation shall be the exchange rate costs and the gains or losses arising from engaging in derivative transactions accounted for by the Company.
 - (2) To fully grasp and express the appraisal risk of the transaction, the Company adopts monthly appraisal for the evaluation of gains or losses.
2. Particular purpose transaction

The basis of the performance evaluation shall be the actual gains or losses that occurred, and the accounting personnel shall regularly prepare statements regarding the positions and provide them to the management for reference.

(V) Establishment of the total amount of derivatives contracts that may be traded and the maximum loss limit

For derivative transactions for the hedging purpose of the Company, the

restriction on the amount of derivatives contracts that may be traded is as follows:

1. The total amount of derivatives contracts that may be traded for hedging purposes shall not exceed the positions of assets or liabilities denominated in foreign currencies; the total amount of derivatives contracts that may be traded for non-hedging purposes shall not exceed 40% of the net worth.
2. For the trading position of one entry that is less than US\$5 million (inclusive), the chief of finance is authorized for the execution; when the amount is above US\$5 million to US\$8 million (inclusive), the approval of the President is required, and over US\$8 million, the approval of the Chairman is required.
3. The purpose of hedging transactions is to avoid risks; therefore, losses arising from market volatility may be offset by hedging assets or liabilities; when losses may not be fully offset by hedging assets or liabilities, the maximum loss limits shall be 20% of the transaction amount.
4. The losses of a non-hedging single derivative transaction contract shall not exceed 15% of the transaction amount per entry, and the maximum losses each year shall not exceed US\$2 million; when the amount of loss exceeds the abovementioned requirements, a report shall be immediately made to the Chairman and the Board of Directors to discuss necessary countermeasures.

II. Risk management measures

(I) Credit risk management

1. Transaction counterparty: Limit to renowned domestic and foreign banks.
2. Transaction product: Limit to products provided by renowned domestic and foreign banks.
3. Transaction amount: The outstanding transaction amount with a single transaction counterparty shall not exceed one-third of the total authorized amount; however, this shall not apply to those approved by the President.

(II) Market risk management

The Company primarily focuses on the public foreign exchange market provided by the bank, without considering the futures market at present

(III) Liquidity risk management

To ensure the market liquidity, the Company primarily selects products with higher liquidity (i.e., can be easily squared off in the market at any time) provided by the transaction bank as transaction products; the transaction bank shall possess abundant information and be able to perform transactions in any markets at any time.

(IV) Operating risk management

The operations shall duly comply with the authorized amount, and operation flow established by the Company, and be included in the internal audit to avoid operating risks.

(V) Legal risk management

The formal execution of documents with banks shall be subject to the examinations by specialists for foreign exchange or laws to avoid legal risks.

(VI) Product risk management

The internal transaction personnel and the counterparty (bank) shall possess comprehensive and accurate professional knowledge of the transaction products,

and the Company requires the bank to fully disclosed the risks to avoid the risk of misusing financial products.

(VII) Cash flow risk management

To ensure the stability of the Company's working capital, the source of funds for engaging in derivative transactions is limited to self- owned funds, and the capital requirements for the cash flow forecasts for the following three months shall be considered regarding the amount put into operation.

III. Internal audit system

The audit personnel shall regularly gain knowledge of the appropriateness of the internal control for derivatives and perform audits on the compliance of the transaction department regarding the procedures for derivative transactions on a monthly basis; also, it shall analyze the transaction cycle and prepare an audit report; for any material violation found, it shall notify the Audit Committee in writing.

IV. Method for regular evaluation

(I) The Board of Directors shall authorize the senior management personnel to regularly supervise and evaluate whether the derivative transactions are performed based on the transaction procedures established by the Company, and whether the risks assumed are within the scope permitted; when there is an anomaly in the market price evaluation report, it shall immediately report to the Board of Directors and adopt countermeasures.

(II) Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by businesses shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.

V. Supervision and management principles for the Board of Directors when engaging in derivative transactions

(I) The Board of Directors shall designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk; the management principles are as follows:

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; the Company has Independent Directors, and Independent Director shall be present at the meeting and express an opinion.

(II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance. The Company shall report to the upcoming 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 Transaction.

(III) The Company engaging in derivatives trading shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under

subparagraph (II), paragraph IV, and subparagraphs (I) and (II), paragraph V of the Article shall be recorded in detail in the logbook.

- VI. If the Company does not intend to engage in derivatives trading, it may, after obtaining the approval of the Board of Directors, be exempted from adopting procedures governing derivatives trading. If it subsequently wishes to engage in derivatives trading, it will still be required first to comply with the provisions of the preceding five paragraphs before doing so.

Article 12: Procedures for mergers, demergers, acquisitions, or transfer of shares

I. Evaluation and operating procedures

- (I) When performing mergers, demergers, acquisitions, or transfers of shares, the Company shall engage an attorney, certified public accountant, and underwriter to jointly discuss the estimated timetable for the legal procedures, and shall form a workforce to make execution according to the legal procedures. Prior to convening the Board of Directors meeting to resolve the matter, the Company shall engage a certified public accountant, 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, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
- (II) The Company participating in a merger, demerger, acquisition, or transfer of shares 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 subparagraph 1, paragraph 1 of the Article when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, that a provision of another act exempts the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.

II. Other matters of notice

- (I) Date of the Board of Director meeting: A Company participating in a merger, demerger, or acquisition 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.
- (II) Prior undertaking of confidentiality: Every person participating in or privy to the

plan for the 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 the merger, demerger, acquisition, or transfer of shares.

(III) Principles for the establishment of and alteration in the share exchange ratio or acquisition price: The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors meeting of both parties to resolve the matter, 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. The share exchange ratio or acquisition price shall not be altered at will, in principle; however, this shall not apply to conditions that can be altered stated in the contract or those disclosed to the public. The alteration conditions of the share exchange ratio or acquisition price are as follows:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
2. An action, such as 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 conditions that the contract stipulates may be altered and that have been publicly disclosed.

(IV) Content to be stipulated in the contract: Apart from complying with Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract for a merger, demerger, acquisition, or transfer of shares shall 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 companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.

6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (V) Changes in the number of companies participating in the merger, demerger, acquisition, or transfer of shares: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
- (VI) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions under "(I) Date of Board of Directors meeting," "(II) Prior undertaking of confidentiality," and "(V) Changes in the number of companies participating in the merger, demerger, acquisition, or transfer of shares" of the Article.
- (VII) Information preservation: When participating in a merger, demerger, 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:
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 the 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 the Board of Directors meetings.

When participating in a merger, demerger, 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 counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in items 1 and 2, subparagraph (VII) in the preceding paragraph to the FSC for recordation. Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions above.

- I. Items of announcement and report and standards for announcement and report
- (I) 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.
 - (II) Merger, demerger, acquisition, or transfer of shares.
 - (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
 - (IV) Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore, the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - 1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - 2. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
 - (V) Acquisition or disposal by the Company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore, the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore, the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
 - (VI) Where land is acquired under an arrangement of engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore, the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.
 - (VII) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - 1. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
 - 2. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange-traded notes, or subscription by a securities firm of securities as necessitated

by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange

3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

(VIII) The transaction amount of the subparagraphs (I) to (VII) shall be calculated according to the following method. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the provisions need not be counted toward the transaction amount.

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

II. Period for announcement and report

The Company shall make an announcement and report within two days from the date of occurrence when the acquisition or disposal of assets of the Company has reached the standards for announcement and report.

III. Procedures for announcement and report

- (I) The announcement and report of relevant information shall be made on the information reporting website designated by the competent authority.
- (II) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authority by the 10th day of each month.
- (III) When the Company 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 two days counting inclusively from the date of knowledge of such error or omission.
- (IV) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports and certified public accountant, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.
- (V) 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 competent authority

within 2 days counting inclusively from the date of occurrence of the event:

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

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

- I. Subsidiaries shall also establish their "Procedures for Acquisition or Disposal of Assets" according to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"; such procedures shall be implemented upon being approved by the board of directors of the subsidiaries; the same shall apply upon any amendment.
- II. For the acquisition or disposal of assets, subsidiaries shall also comply with the Company's requirements.
- III. For a non-public subsidiary, when its acquisition or disposal of assets reaches the standards for announcement and report stated in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," the parent company shall make the announcement and report on behalf of the subsidiary.
- IV. In the standards for announcements and reports that apply to subsidiaries, "reaches 20 percent of the company's paid-in capital or 10% of the company's total assets" shall be subject to the paid-up capital or the total assets of the parent company (the Company).
- V. In the case of the Company whose shares have no par value or a par value other than NT\$10-for the calculation of transaction amounts of 20 percent of paid-in capital under these Procedures, 10 percent of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of these Procedures regarding transaction amounts relative to a paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent company shall be substituted.
- VI. Requirements related to 10% of the total assets in the Procedures shall be calculated based on the total assets in the latest parent company only or individual financial statements as required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 15: Penalty

When managers and organizing personnel of the Company violate the Procedures, a verbal warning shall be given for initial violation and a written warning shall be given for the second violation. For constant violations and material violations, such personnel shall be transferred from their position; however, this shall not apply to those who can provide reasonable descriptions regarding the prevention measures taken in advance by them.

Article 16: Implementation and amendment

The Company's "Procedures for Acquisition or Disposal of Assets" were implemented after being approved by the Audit Committee, resolved by the Board, and approved by the shareholders' meeting; the same shall apply for any amendment. If any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to the Audit Committee. When the

"Procedures for Acquisition or Disposal of Assets" are submitted for discussion by the Board of Directors, 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. When the "Procedures for Acquisition or Disposal of Assets" are adopted or amended they shall be approved by the Audit Committee and submitted to the Board of Directors for a resolution. If approval of half or more of all Audit Committee members is not obtained, the Procedures may be implemented if approved by two-thirds or more of all Directors and submitted to the Board of Directors for a resolution.

Article 17: Appendices

Unaddressed matters in the Procedures shall be subject to relevant laws and regulations.

Article 18: Appendices

The Procedures were established on May 7, 1991.
The 1st amendment was made on March 14, 1993.
The 2nd amendment was made on May 26, 1998.
The 3rd amendment was made on June 19, 2003.
The 4th amendment was made on June 27, 2006.
The 5th amendment was made on June 19, 2008.
The 6th amendment was made on June 27, 2012.
The 7th amendment was made on June 17, 2014.
The 8th amendment was made on June 20, 2017.
The 9th amendment was made on June 20, 2019.
The 10th amendment was made on June 17, 2022.