

# **Taishin Financial Holding Co., Ltd.**

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

### **Chapter 1 General Principles**

#### **Article 1**

The procedures are established according to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (“the Regulations”) established by the Financial Supervisory Commission (“the FSC”) as authorized by Article 36-1 of the Securities and Exchange Act.

#### **Article 2**

Unless financial laws or regulations prescribed by law, Taishin Financial Holding Co., Ltd. (hereinafter referred to as “the Company”) shall follow the Procedures when engaged in the acquisition or disposal of assets. If there is any issue not covered in these Procedures, other relevant regulations of the Company shall govern.

#### **Article 3**

These procedures apply to the following asset categories:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities that represent fund entitlements, depository receipts, call (put) warrants, beneficial securities, and asset-backed securities.
2. Real estate (including land, buildings etc.) 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 legally acquired or disposed of through mergers, demergers, acquisitions or transfer of shares.

9. Other major assets..

**Article 4**

Terms used in the Procedures are defined as follows:

1. Derivatives: Refer to forward contracts, options contracts, futures, leverage contracts, swap contracts etc., whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sale service contracts, long-term leasing contracts, and long-term purchase (sales) contracts.
2. Assets legally acquired or disposed through mergers, demergers, acquisitions or transfer of shares exchange: Refers to assets acquired or disposed of 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 through an arrangement whereby new shares are issued in exchange for another company’s shares (hereinafter “transfer of shares” ) under Article 156, Paragraph 3 of the Company Act.
3. Related Party and subsidiary: To be defined according to the FSC’s financial reporting standards.
4. Total assets: Refers to the amount of total assets shown in the latest company-level financial statement prepared in accordance with the FSC’s financial reporting standards.
5. Professional appraiser: Refers to a real estate appraiser or anyone who is permitted by law to perform valuation of real estate and equipment.
6. Date of Occurrence: Refers to, the earliest of, the signing date, payment date, deal date, date of ownership transfer, the board of directors’ resolution date or any other dates when the transaction counterparty and the amount can be verified with certainty. For investments that require the approval of the competent authority, the date of occurrence shall be determined as the earlier between the above dates and the date approved by the competent authority.

7. Investment in the Mainland China Area: Refers to investments in the Mainland China area conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area approved by the Investment Commission of the Ministry of Economic Affairs.
8. Limited Price, Specified Price or Special Price: The terms shall be defined according to the definition provided in the "Regulations on Real Estate Appraisal" announced by the Ministry of the Interior.
9. 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.
10. 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 5**

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company 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 unappeasable sentence to imprisonment for 1 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 3 years have already passed since the completion of the service of the sentence, since the 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 appraisal reports are required to be obtained from two or more different 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 shall follow the self-regulatory rules of the industry associations and issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and confirming 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**

If any director expresses dissent and it is contained in the minutes or a written statement when the Procedures are being discussed in the board of directors meeting and such objections have been recorded or made in writing, the Company shall the director's dissenting opinion to audit committee. The Company shall, in the meantime, 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.

Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of Article 33, paragraphs 2 and 3.

Any transaction involving major assets or derivatives referred to company's transaction involving assets or derivatives is subject to the approval of the board of directors under the company's procedures or other laws or regulations.

### **Chapter 2 Administrative Procedures**

#### **Section 1 Acquisition or Disposal of Assets**

##### **Article 7**

Before the acquisition or disposal of real estate by the Company, the responsible unit should first study the relevant market reports and appraisal reports and submit a written assessment report to the proper approval authority for decision making.

Before the acquisition or disposal of equipment by the Company, the responsible unit shall conduct in advance a cost-benefit analysis to compare the forecast and actual

results of the transaction. The proposal shall be submitted to the proper approval authority for decision-making after the procurement, contracting or sales procedures.

When investing in real estate, the Company shall observe the provisions stipulated in the Financial Holding Company Act with regard to the restrictions on the usage of such real estate.

## **Article 8**

When acquiring or disposing of real estate, equipment, or right-of-use assets, the Company shall, prior to the date of occurrence of the event, obtain an appraisal report from a professional appraiser if the transaction amount has reached 20% of the Company's paid-in capital or NT\$300 million or more. This shall not apply, however, when the Company is transacting with a domestic government institution, engaging others to build on its own land or on rented land, or acquiring or disposing of machinery equipment or right-of-use assets for business use. The Company shall in the meantime observe the following rules:

1. Where, due to special circumstances, it is necessary to use a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be approved by the Board of Directors for a resolution in advance. The same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or above, appraisals from two or more professional appraisers shall be obtained.
3. If the following situation occurs with regard to the professional appraisal report, the Company shall engage a CPA to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price. This is not required, however, if all the appraised results for the assets to be acquired are higher than the transaction amount, or if all the appraised results for the assets to be disposed of are lower than the transaction amount.
  - (1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.

4. The time between the contract date and the date of the report issued by the professional appraiser shall not be more than three months. The Company, however, may still adopt opinions of the original professional appraiser in the event that the transaction is applicable to the announced current value for the same period and less than six months have passed.

## **Article 9**

Before the acquisition or disposal of short-term securities, the Company shall first request its investment analysts to collect the relevant information, evaluate and discuss the results and report to the proper approval authority for decision-making.

With respect to investment projects in long-term equities, the Company shall first instruct the responsible units to conduct a feasibility study. A proposal shall be submitted to the Board of Directors for a resolution in advance if the case is considered feasible. Only when the case has been resolved in the Board of Directors meeting shall the Company submit the application to the competent authority for approval and proceed with the relevant contract-signing procedures.

The Company, when engaging in the acquisition or disposal of securities, shall, prior to the date of occurrence of the event, obtain the financial statements of the issuing company for the most recent period that have been certified or reviewed by a certified public accountant. Such financial statements shall be used as a reference for appraising the transaction price. If the transaction amount has reached 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall, prior to the date of occurrence of the event, additionally engage a CPA to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to securities with publicly quoted prices from an active market, or if it has been otherwise provided by the regulations of the Financial Supervisory Commission (FSC).

With regard to the scope, limits and application procedures for investment in securities, the Company shall follow the relevant regulations stipulated in Articles 36, 37 and 39 of the Financial Holding Company Act.

## **Article 10**

When acquiring or disposing of memberships or intangible assets or right-of-use assets, the responsible unit of the Company shall firstly submit an assessment report on the cost and benefits of the acquisition or disposal to the proper approval authority for decision making.

In the event that the amount for the acquisition or disposal of membership or intangible assets or right-of-use assets has reached 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.

#### **Article 11**

The calculation of the transaction amounts referred to in the preceding three articles shall be conducted in accordance with Article 29, paragraph 2 herein. In the meantime, "within one year" as used herein refers to the year proceeding to 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 12**

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

### **Section 2 Related Party Transactions**

#### **Article 13**

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 11-1 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**

With the exception of domestic government bonds, bonds under repurchase/resale agreements, and subscription or repurchase of domestic money market funds that are

issued by securities investment trust enterprises, when the Company intends to acquire or dispose of any real estate or right-of-use assets from or to a related party, or if it intends to acquire or dispose of any assets other than real estate or right-of-use assets from or to a related party where the transaction amount has reached 20% of its paid-in capital, 10% of its total assets, or NT\$300 million or more, the Company shall firstly submit the following information to be approved by more than half of all Audit Committee members and then submitted to the Board of Directors for a resolution in advance before signing the contract and making payments:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the specific related party as the transaction counterparty.
3. The information relating to the assessment of reasonableness on the planned acquisition of real estate or right-of-use assets from the related party under Articles 15 and 16.
4. The date and price at which the related party originally acquired the asset, the original trading counterparty, as well as the relationship between the original trading counterparty and the Company/the Company's related parties.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, as well as evaluation reports on the necessity of the transaction and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

When proposed for discussion by the Board of Directors pursuant to Paragraph 1, independent directors' opinions must also be fully taken into consideration. Any objections or reservations made by independent directors must be detailed in Board Meeting minutes.

The matters for which Paragraph 1 requires recognition by the supervisors shall first be approved by more than half of all Audit Committee members and then submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 33, paragraphs 2 and 3.



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 the transactions between the Company and its subsidiaries or any between these subsidiaries.

The calculation of the transaction amounts referred to in Paragraph 1 and the preceding paragraph shall be made in accordance with Article 29, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Shareholders' Meeting or Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.

Transactions with related parties of the Company shall comply with the Financial Holding Company Act.

#### **Article 15**

On acquiring real estate or right-of-use assets from a related party, the Company shall evaluate the following methods to assess the reasonableness of the transaction costs:

1. Based on the price of transaction with the related party, adding the required interest on funding and other costs to be borne by the buyer by law. The required interest on funding shall be calculated based on the weighted average of the interest rate for borrowing during the year the company purchases the property. It shall not, however, exceed the maximum lending rate for non-financial industries announced by the Ministry of Finance.
2. In the event that the property has been mortgaged for loan, the Company shall adopt the total appraised value by the financial institution for the specific lending. However, the actual lending amount shall not be less than 70% of the total appraised value and the loan period should be more than one year. However, this shall not apply if the financial institution is a related party of one of the trading counterparties.

Where land and buildings thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the buildings may be separately appraised in accordance with either of the means listed in the preceding paragraph.

When acquiring real estate or right-of-use assets from a related party, the Company shall appraise the cost of the real estate or right-of-use assets in accordance with the first two paragraphs above, in the meantime engaging a CPA to review the appraisal and render an opinion.

Under the following circumstances, the Company shall follow the rules specified in preceding article herein for acquiring real estate or right-of-use assets from a related party. The provisions in the above three paragraphs shall not apply:

1. The related party has acquired the real estate or right-of-use assets through inheritance or as a gift.
2. More than five years have elapsed since the acquisition of the real estate or right-of-use assets by the related party till the contract-signing date for this transaction.
3. The real estate is acquired through sign 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 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 16**

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 17. 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 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 the right-of-use assets thereof.

## **Article 17**

Where the company acquires real property or right-of-use assets from a related 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 transaction price and the appraised cost of the real property or right-of-use assets 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. Each independent director of the audit committee shall comply with Article 14-4, paragraphs 2 of the Securities and Exchange act mutatis mutandis application of Article 218, paragraphs 1 and 2 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.

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.

When the Company obtains real property or 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 arm's length transaction.

### **Section 3 Engaging in Derivatives Transactions**

#### **Article 18**

When engaged in derivatives transactions, the Company shall ensure control over such transactions based on the following risk management and audit principles:

1. Transaction Principles and Guidelines
  - (1) The types of derivative transactions to be conducted by the Company shall include, mainly, forward exchange, options, interest and currency swaps, etc. for hedging purposes.
  - (2) When engaged in derivatives transactions, the Company shall give equal attention to the safety and liquidity of products.
  - (3) In principle, the Company's derivative transactions are made for hedging purposes. The limits on entire trading amount and stop-loss limits on each aggregated and individual contracts shall be approved by the board of directors.
  - (4) The Company shall handle its derivative financial instruments according to the following procedures:

- A. Proper authorization shall be obtained with regard to the types and limits of the derivative transactions to be conducted. Only authorized employees may conduct derivative transactions.
- B. The trader shall complete a deal slip once a deal is concluded.
- C. Operations personnel shall be responsible for deal confirmation and settlement procedures.
- D. The Company shall, on a regular basis, conduct a review of positions held and evaluate gains and losses.

## 2. Risk Management Measures

- (1) The relevant rules of the Taishin Financial Holding - Risk Management Policy shall be followed when managing derivative financial instruments risks, including control of credit, market price, liquidity, cash flow, operational and legal risks; as well as the scope of risk management, risk measurement, identification and control procedures.
- (2) The risk management unit is responsible for checking the effectiveness of hedges for all transactions that involve derivative financial instruments, including the amount and particulars of the transaction.
- (3) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- (4) Personnel responsible for risk measurement, monitoring and control shall be assigned to a department separate from the individuals specified in the preceding subparagraph, and shall report to the board of directors or other senior managers who are not engaged in decision making on transactions or trading positions.

## 3. Internal Audit System

- (1) The internal auditors of the Company shall audit derivative transactions on a regular or ad hoc basis and ensure that they comply with these Procedures and relevant rules.
- (2) The auditors shall, on a regular basis, check the adequacy of the company's internal control system for derivatives transactions. They shall conduct monthly audits on the trading department to ensure compliance with the

Procedures for Derivatives Trading. Audit reports shall be produced. The auditors are required to advise the audit committee in writing if any significant violations are found. The auditors should follow up on the status of defects identified during the audit process where necessary.

4. The Company shall conduct regular assessment on gains and losses, and plan in advance for emergency situations.
  - (1) The Company shall assess its derivative trading positions at least once a week. Hedging transactions conducted to meet business requirements shall be assessed at least twice a month. Assessment reports shall be submitted to the senior management level authorized by the chairman.
  - (2) The assessment reports prescribed in the preceding paragraph shall be submitted to the head of the risk management unit for review. In case of unexpected situations such as bankruptcy of a counterparty or high volatility in the market which may have a significant and negative impact on the Company, the situation shall be reported to the Risk Management Committee for any necessary actions.

## **Article 19**

Where the company engaging 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 Regulations 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 20**

The Company engaging in derivatives trading shall establish a log book 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 paragraph 1, subparagraph 4 of Article 18 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of Article 19 shall be recorded in detail in the log book.

#### **Section 4 Mergers, Demerger, Acquisitions and Transfer of Shares**

#### **Article 21**

When the Company conducts a merger, demerger, acquisition, or transfer of shares, 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 be approved by the Board of Directors for a resolution. The aforesaid opinion on the reasonableness of a merger will not be required when the Company merges with or acquires a subsidiary in which it holds, directly or indirectly, 100% of the shares or total capital or when subsidiaries in which the Company holds, directly or indirectly, 100% of the shares or total capital merge with or acquire each other.

#### **Article 22**

The company 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 any one of the companies fails 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 23**

Unless otherwise provided by law or agreed in advance by the Financial Supervisory Commission for special reasons, all participating companies in any merger, demerger or acquisition project are required to convene a board of directors meeting and shareholders' meeting on the same day to resolve related matters.

Unless otherwise provided by law or agreed in advance by the Financial Supervisory Commission for special reasons, the companies participating in a transfer of shares are required to convene a board of directors meeting on the same day.

When engaged in merger, demerger, acquisition or transfer of another company's shares, the Company shall keep a complete written record including the following information, which shall be retained for five years for review and audit purposes:

1. Basic Personnel Information: Including the job title, name and ID number (or passport number in the case of foreign nationals) of all personnel involved in the planning or implementation of the merger, demergers, acquisition, or transfer of another company's shares prior to public disclosure of the information.
2. Dates of Important Events: Including the dates of signing a letter of intent or memorandum of understanding, commissioning a financial or legal advisor, signing contracts or holding board of directors meetings.
3. Important Documents and Meeting Minutes: Including the plans for merger, demergers, acquisition or share transfer plans, letter of intent or memorandum of understanding, important contracts and minutes of the board of directors meetings.

When participating in merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within 2 days from the date of passage of the board resolution, submit to the Financial Supervisory Commission for recordation the



information required in subparagraphs 1 and 2 of the preceding paragraph. The information shall be compiled according to the specified format and transmitted via the Internet.

If any of the participating companies in the merger, demerger, acquisition, or transfer of another company's shares is not a listed company or a company having its shares traded on an OTC market, the Company shall sign an agreement with such participating companies, while abiding by the provisions of the preceding two paragraphs.

#### **Article 24**

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 25**

The companies participating in a merger, demerger, acquisition, or transfer of shares 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 26**

When participating in the merger, demerger, acquisition, or transfer of shares, the Company 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 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 27**

After public disclosure of the information, if the company 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.

## **Article 28**

When the company participates in the merger, demerger, acquisition, or transfer of shares, if any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 23, Article 24, and the preceding article.

### **Chapter 3 Public Disclosure of Information**

#### **Article 29**

Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event, publicly announce and report the relevant information about the acquisition or disposal of assets on the designated website of the Financial Supervisory Commission using the specified format:

1. Acquisition or disposal of real estate or right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or right-of-use assets from or to a related party where the transaction amount reaches 20% of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. This requirement, however, shall not apply to the trading of domestic government bonds or bonds under repurchase or resale agreements, nor to subscription repurchase of domestic money market funds that are issued by a securities investment trust enterprise.
2. Merger, demerger, acquisition, or transfer of shares.
3. Situations where the losses resulting from the derivative transactions have reached the stop-loss limit, including the aggregate limit for all transactions and the limit for individual transactions, as prescribed in Article 18, Paragraph 1, Subparagraph 1, Item 3.
4. Where the equipment or the right-of-use assets for business use are acquired or disposed of, the trading counterparty is not a related party, and the transaction amount is more than NT\$1.0 billion.
5. Situations where the real estate is acquired by the following methods: 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 on the premise that the transaction counterparty is not a related party. The amount to be invested by the Company, furthermore, is more than NT\$500 million.

6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. 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) 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 or resale agreements, and subscription or repurchase of domestic money market funds that are issued by a securities investment trust enterprise.

The “transaction amount” prescribed in the preceding paragraph shall be determined based on the following definition:

1. The amount of each individual transaction.
2. The cumulative transaction amount of acquisitions or disposals of the same type of underlying asset with the same trading counterparty within one year.
3. The cumulative transaction amount of real estate or right-of-use assets acquired or disposed of (to be accumulated separately for acquisitions and disposals) for the same development project within one year.
4. The cumulative transaction amount of the same securities acquired or disposed of (to be accumulated separately for acquisitions and disposals) within one year.

“Within one year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items which have been announced according to the Procedures may be excluded.

The Company shall compile monthly reports on the status of derivative transactions conducted up to the end of the preceding month by itself and any of its subsidiaries that are not publicly-listed companies in Taiwan. The information shall be transmitted to the information reporting website specified by the Financial Supervisory Commission before the 10th of each month using the required format.

Where any correction or addition to the information is required, the Company shall , within two days since becoming aware of the incident, repeat all reporting and announcement procedures for all the items.

When acquiring or disposing of assets, the Company shall retain a file of the relevant contracts, meeting minutes, logbooks, appraisal reports, opinions from the CPAs, attorneys and securities underwriters for at least five years, unless otherwise provided by law.

### **Article 30**

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:

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.

## **Chapter 4 Additional Provisions**

### **Article 31**

The Company shall supervise its subsidiaries with regard to the procedures for asset acquisition or disposal:

1. The subsidiaries of the Company shall establish their own Asset Acquisition or Disposal Procedures based on these Procedures, which shall be sent to the Company for recordation after approval in the shareholders' meeting. The same procedures shall be followed for the revision of the procedures.

2. In the event that the amount of any transaction conducted by the subsidiary for the acquisition or disposal of assets has reached 20% of its paid-in capital, 10% of its total assets or NT\$300 million or more, the subsidiary shall inform the responsible units of the Company before execution of the transaction.
3. If the subsidiary has conducted self-inspection of its Asset Acquisition or Disposal Procedures, the subsidiary shall submit the relevant inspection reports to the audit department of the Company for review.
4. In the event that the subsidiary is not a publicly listed company, the Company shall, on behalf of the subsidiary, carry out relevant information announcement and reporting as stipulated in preceding Chapter herein, if necessary. With regard to the threshold for announcement or reporting by subsidiaries prescribed in Article 29, paragraph 1, the calculation basis for the threshold shall be the paid-in capital or total assets of the Company.
5. If the subsidiary of the Company issues shares that do not carry a face value or have a face value other than NT\$10, the Company shall apply “10% of equity” as an alternative threshold for “20% of paid-in capital” as specified in these procedures, attributable to owners of the parent company.

### **Article 32**

Any employee of the Company who violates these Procedures when handling the acquisition or disposal of assets shall be subject to disciplinary actions based on the severity of the violation and in accordance with the relevant human resources management policies of the Company.

### **Article 33**

These Procedures shall be approved by more than half of all audit committee members and then submitted to the board of directors for a resolution and then to the shareholders' meeting for approval. They shall take effect after approval in the shareholders' meeting. The same applies when the procedures are amended.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms “all audit committee members” in paragraph 2 and “all directors” in the

preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Notes:

- 2012/06/22 These Procedures were established in the 2012 general shareholders' meeting. (The "Handling Procedures for Acquisition or Disposal of Assets" amended and resolved in the June 15, 2007 by Shareholders' Annual General Meeting were abolished at the same time).
- 2014/06/06 The First Amendment in the 2014 general shareholders' meeting to amend articles 1,3,4,7,8,10,14,15,18,19,23,29 and 31.
- 2015/06/12 The Second Amendment in the 2015 general shareholders' meeting to amend articles 6,8,9,14,17,18,21,33,and these changes will come into effect July 1, 2015.
- 2017/06/16 The Third Amendment in the 2017 general shareholders' meeting to amend articles 8,10,14,21and 29.
- 2019/06/14 The Fourth Amendment in the 2019 general shareholders' meeting to amend articles 2~5,8,10,14~19, 23,28,29 and 31.
- 2022/06/17 The Fifth Amendment in the 2022 general shareholders' meeting to amend articles 5, 8~10, 14, 21, and 29.