



# POU CHEN CORPORATION

## Procedures for Acquisition and Disposal of Assets

Adopted by shareholders' meeting on June 15, 2022

### **Article 1 Purpose**

This Procedure is stipulated for the purposes of securing assets and implementing information disclosure.

### **Article 2 Legal Basis**

This Procedure is stipulated in accordance with Article 36-1 of the Securities and Exchange Act and Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

### **Article 3 Scope of Assets**

1. Securities: including investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real estate (including land, houses and buildings, investment property and construction enterprise inventory) and equipment.
3. Memberships.
4. Intangible Assets: including patents, copyrights, trademarks, franchise rights.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or transfers of shares in accordance with the law.
9. Other major assets.

### **Article 4 Definitions**

1. Derivatives: forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase

- (sales) contracts.
2. Assets acquired or disposed through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: refers to assets acquired or disposed through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through the issuance of new shares of its own as the consideration (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
  3. Related party or subsidiary: as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
  4. Professional appraiser: refers to a real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or equipment.
  5. Date of occurrence: refers to the earlier date of contract signing, date of payment, date of consignment trade, date of transfer, date of board of Directors resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction; however, in the event where investments require the approval of the competent authority, the earlier of the aforementioned dates or the date of receiving approval by the competent authority shall apply.
  6. Mainland China area investment: refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

**Article 5      Amount of the investment in real estate for non-business use, real estate right-of-use assets held for non-business use and the investment in securities**

The amount of the aforementioned assets acquired by the Company and each of its subsidiaries are as follows:

1. Limit of investment by the Company:
  - (1) Real estate for non-business use and real estate right-of-use assets held for non-business use shall not exceed 100% of the Company's paid-in capital.
  - (2) The total amount of investments in securities shall not exceed 150% of the Company's net value; the total amount of investments in individual securities shall not exceed 40% of the Company's net value.
2. Limit of investment by Subsidiaries:
  - (1) Real estate for non-business use and real estate right-of-use assets held for non-business use shall not exceed 100% of the Company's paid-in capital.

- (2) The total amount of investments in securities shall not exceed 150% of the Company's net value; the total amount of investments in individual securities shall not exceed 40% of the Company's net value.

The Company and its Subsidiaries shall not be subject to the aforementioned limits in the following situations:

1. Investments in acquired stocks are associated with the Company's main business focus.
2. The company group is restructuring its organizational structure.

**Article 6 Procedure of the appraisal reports or opinions published by qualified expert**

Professional appraisers and their appraisal officers, certified public accountants, attorneys and securities underwriters, who provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions. The qualification of appraisal reports or opinions shall comply with Article 5 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

**Article 7 Procedures for acquisition or disposal of real estate, right-of-use real estate, equipment or right-of-use equipment**

1. Assessment and Operating Procedures

The Company's acquisition or disposal of real estate, right-of-use real estate, equipment or right-of-use equipment shall abide by the revolving procedures of real estate, factories and facilities in the Company's internal control system.

2. Decision Procedures for Transaction Terms and Authorized Amount

(1) In the event of acquisition or disposal of real estate or right-of-use real estate, the terms of transaction and the transaction price shall be determined by referring to the announced current value, appraised value and actual transaction price of neighboring real estate, and an analysis report shall be submitted to the Company's president. If the transaction price is NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction price exceeds NT\$ 100 million but is less than NT\$ 300 million, the transaction shall be approved by the Company's chairman, who is authorized to approve transactions; if the transaction price amount is NT\$ 300 million or more, the transaction shall be approved by the board of Directors.

(2) The acquisition or disposal of equipment or right-of-use equipment shall be conducted by means of price inquiry, price comparison, price negotiation or bidding. In the event where the amount is NT\$ 10 million or less, the transaction shall be approved in accordance with the

Company's levels of authorization; in the event where the amount exceeds NT\$ 10 million but is less than NT\$ 100 million, the transaction shall be approved by the president; in the event where the amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.

3. Implementation unit

The Company's acquisition or disposal of real estate, right-of-use real estate, equipment or right-of-use equipment shall be approved in accordance with the levels of authorization specified in the preceding paragraph and shall be implemented by the department (or management department) which intends to use the real estate or the equipment.

4. Appraisal report on real estate, right-of-use real estate, equipment or right-of-use equipment

In the event of the Company's acquisition or disposal of real estate, right-of-use real estate, equipment or right-of-use equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$ 300 million or more, except for transactions with domestic governments, engaging others to build on their land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use equipment for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the date of occurrence and shall comply with the following provisions:

- (1) In the event where, due to special circumstances, the transaction price shall refer to a limited price, a specified price or a special price that is necessary in serving as reference, such a transaction shall be submitted for the board of Directors' prior approval, and the same procedure shall apply if there are changes to the terms and conditions of the transaction.
- (2) In the event where the transaction amount is NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) In the event where the appraisal results of the professional appraisers encounter any of the following circumstances, except for all of the appraisal results of the assets to be acquired exceeding the transaction amount, or all of the appraisal results of the assets to be disposed of that are less than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and to provide a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - A. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - B. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.

- (4) The time period between the date of the appraisal report issued by a professional appraiser and the execution date of the agreement shall not exceed three months. However, in the event where the announced current value is used within the same time period and has not exceeded six months, the original professional appraiser may issue an opinion.
- (5) In the event where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may serve as a substitute for an appraisal report or a certified public accountant's opinion.
- (6) The transaction amount shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14, and the items, which have been included in the appraisal report issued by a professional appraiser or a certified public accountant's opinion in accordance with the relevant provisions, shall not be counted towards the calculation.

## **Article 8      Procedures for acquisition or disposal of securities**

### **1. Assessment and Operating Procedures**

For the Company's acquisition or disposal of securities, the Company shall abide by the revolving investment procedures in the Company's internal control system.

### **2. Deciding Procedures Concerning The Terms of Transaction and Authorized Amount**

(1) The Company's acquisition or disposal of securities in Taiwan Stock Exchange or Taipei Exchange shall be decided by the responsible unit based on market circumstances. In the event where the accumulated transaction amount of a certain security within one year since the date of the first transaction has not reached NT\$ 1 billion, the transactions shall be approved by the financial officer; in the event where the accumulated transaction amount has not reached 10% (including 10%) of the Company's paid-in capital, the transactions shall be approved by the president; in the event where the accumulated transaction amount exceeds 10% of the Company's paid-in capital, the transactions may not be conducted until the board of Directors approves the transactions.

(2) In the event where the Company's acquisition or disposal of securities is not conducted in the Taiwan Stock Exchange or Taipei Exchange, the Company shall obtain the most recent financial statement of the target prior to the date of occurrence, which has been audited and reviewed by a certified public accountant, as a reference to the evaluation of the transaction price. During the evaluation of the transaction price, the Company shall take earnings per share, profitability and future prospect into consideration. In the event where the transaction amount has not

reached at least 3% (including 3%) of the Company's capital, the transaction shall be approved by the president; in the event where the transaction amount exceeds 3% of the Company's capital, then the transaction may not be conducted until the board of Directors approves the transaction.

(3)The financial officer is authorized to decide the transaction amount of government bonds, bonds under repurchase and resale agreements, or bond funds.

### 3. Implementation Unit

The Company's investment in securities shall be approved in accordance with the levels of authorization specified in the preceding paragraph and shall be implemented by the Finance and Accounting unit.

### 4. Obtaining Professional Opinion

(1)In the event of the Company's acquisition or disposal of securities, if the transaction amount reaches 20% of the Company's paid-in capital or NT\$ 300 million or more, the Company shall obtain an opinion concerning the reasonableness of the transaction price from a certified public accountant prior to the date of occurrence. If the certified public accountant needs to use the report of an expert. However, this requirement does not apply to publicly quoted prices of securities that have an active market, or where otherwise provided by the regulations announced by the Financial Supervisory Commission ("FSC").

(2)In the event where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may serve as a substitute for an appraisal report or a certified public accountant's opinion.

(3)The transaction amount shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14 of this Procedure.

## **Article 9 Procedures for acquisition or disposal of assets with a related party**

1. In the event where the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions are adopted and that the reasonableness of the term of the transaction has been evaluated in accordance with this Procedure, if the transaction amount reaches 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a certified public accountant's opinion in accordance with Article 7 of this Procedure. The aforementioned transaction amount shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14 of this Procedure. When determining whether a trading counterparty is a related party, in addition to the legal formalities, the substance of the relationship

shall also be considered.

## 2. Assessment and Operating Procedures

- (1) In the event where the Company engages in any acquisition or disposal of real estate or right-of-use real estate from or to a related party, or engages in any acquisition or disposal of assets other than real estate or right-of-use real estate from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$ 300 million or more, except for the 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 agreement or make a payment until the following matters have been approved by the board of Directors and the audit committee:
  - (A) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
  - (B) The reasons for choosing the related party as a trading counterparty.
  - (C) In the event where the Company acquires real estate or right-of-use real estate from a related party, information concerning the evaluation of the reasonableness of the preliminary terms of the transaction in accordance with from subparagraphs (1) to (4), paragraph 3 of this Article.
  - (D) The date and price at which the related party originally acquired the real estate, its original trading counterparty, and the counterparty's relationship to the Company and the related party.
  - (E) Monthly cash flow forecasts for the coming year commencing from the anticipated month of executing the agreement, and the evaluation of the necessity of the transaction and the reasonableness of the utilization of the funds.
  - (F) The appraisal report provided by a professional appraiser and the opinion of a certified public accountant obtained in accordance with the preceding paragraph.
  - (G) The restrictive terms of this transaction and other important agreements in connection with the transaction.
- (2) With respect to the types of transactions listed below use between the Company and its subsidiary, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, if the transaction amount is within NT\$ 500 million, the chairman is authorized to approve the transaction. The chairman's approval shall subsequently be submitted to and ratified by the next

board of Directors' meeting:

- (A) Acquisition or disposal of equipment or right-of-use equipment thereof held for business use.
  - (B) Acquisition or disposal of real estate right-of-use assets held for business use.
- (3) In the event where matters are submitted to the board of Directors for discussion, the board of Directors shall take each independent Director's opinion into consideration. 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.
- (4) The Company shall submit the materials in all the subparagraphs of Paragraph 1 to the shareholders' meeting for approval before the transaction contracts may be entered into and any payment made if the Company or its subsidiary that is not a domestic public company engages in transactions stated in Paragraph 1 with a transaction amount reaching 10% or more of the total assets of the Company. However, this restriction does not apply to transactions between the Company and its subsidiaries or between its subsidiaries.
- (5) The transaction amount under subparagraph (1) and preceding subparagraph shall be calculated in accordance with subparagraph (8), paragraph 1 of Article 14. The term "within one year" as used herein means the year preceding the date of occurrence of this transaction. Items that have been approved by Shareholders' meeting, the board of Directors and the audit committee will not be counted towards the calculation.

### 3. Assessment of the Reasonableness of Transaction Costs

- (1) In the event where the Company acquires real estate or real estate right-of-use assets from a related party, the reasonableness of the transaction costs shall be assessed by the following means:
- A. Based on the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; however, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
  - B. In the event where the related party previously mortgaged the real estate as security for a loan to a financial institution, the total loan value evaluation shall be made by the financial institution towards the real estate; however, the actual cumulative amount loaned by the financial institution shall reach 70% or more of the financial



institution's evaluated loan value of the real estate, and the period of the loan shall have exceeded one year or more. This shall not apply if the financial institution is a related party to one of the trading counterparties.

- (2) In the event that land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs of the land and building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph.
- (3) In the event where the Company acquires real estate or real estate right-of-use assets from a related party, the Company shall evaluate the costs of the real estate or real estate right-of-use assets in accordance with paragraph 3, subparagraphs (1) and (2) of this Article, and shall engage a certified public accountant to review the evaluation and render a specific opinion.
- (4) In the event where the Company acquires real estate or real estate right-of-use assets from a related party, and the results of the evaluation conducted in accordance with paragraph 3, subparagraphs (1) and (2) of this Article are uniformly lower than the transaction price, paragraph 3, subparagraph (5) of this Article shall apply. However, this restriction shall not apply in the event that the following events exist, objective evidence has been submitted and specific opinions on their reasonableness from a professional real estate appraiser and a certified public accountant have been obtained:
  - A. In the event where the related party acquires undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - (a) Where undeveloped lands are evaluated in accordance with paragraph 3 of this Article, and buildings according to the related party's construction cost plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years, or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
    - (b) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms are similar, after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.

B. In the event where the Company acquires real estate or leased real estate right-of-use assets from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.

The aforementioned “transactions completed for the acquisition of neighboring land” refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the announced value of the land is close to that of the subject matter; the term “similar size” refers to transactions completed by unrelated parties where the land area is no less than 50% of the land area of the transaction’s subject matter. The aforementioned term “within one year” refers to the year preceding the date of the acquisition of the real estate or real estate right-of-use assets.

(5) In the event where the Company acquires real estate or real estate right-of-use assets from a related party, and the results of the evaluation conducted in accordance with subparagraphs (1) and (2), paragraph 3 of this Article are uniformly lower than the transaction price, the following actions shall be taken:

A. A special reserve shall be set aside in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real estate or real estate right-of-use assets transaction price and the evaluated cost, and may not be distributed or used for capital increase or issuance of bonus shares. In the event where a public company uses the equity method to account for its investment in the Company, the special reserve under paragraph 1 of Article 41 of the Securities and Exchange Act shall be set side pro rata in a proportion consistent with the public company's equity stake in the Company.

B. Independent Directors of the audit committee shall comply with Article 218 of the Company Act.

C. Actions that are taken in accordance with items A and B of this subparagraph shall be reported to a shareholders’ meeting, and the details of the transaction shall be disclosed in the annual (and any other) prospectus.

In the event where the Company has set aside a special reserve in accordance with the subparagraph, the Company may not utilize the special reserve until it has recognized a loss on due to decline in market value of the assets it purchased or leased at a premium, or they have been disposed of or terminated the leased, or adequate compensation has been made, or status quo ante has been restored, or there is other evidence

confirming that the transaction was not unreasonable, and which the FSC has approved.

(6) In the event where the Company acquires real estate or real estate right-of-use assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the Assessment and Operating Procedures under paragraph 2 of this Article, and paragraph 3, subparagraphs (1), (2) and (3) of this Article shall not apply:

A. Where the related party acquired the real estate or real estate right-of-use assets by virtue of inheritance or as a gift.

B. Where more than 5 years has lapsed between the time the related party executed the agreement to acquire the real estate or real estate right-of-use assets and the execution date of the current transaction.

C. Where the real estate is acquired through executing a joint development agreement with a related party, or through engaging a related party to build real estate, either on the Company's own land or on rented land.

D. The real estate right-of-use assets for business use are acquired by the Company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

(7) In the event where the Company acquires real estate or real estate right-of-use assets from a related party, it shall also comply with paragraph 3, subparagraph (5) of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.

## **Article 10 Procedures for acquisition or disposal of intangible assets or right-of-use intangible assets or memberships**

### **1. Assessment and Operating Procedures**

In the event of the Company's acquisition or disposal of intangible assets or right-of-use intangible assets or memberships, the Company shall abide by the revolving property, plant and equipment procedures in the Company's internal control system.

### **2. Decision Procedures for Transaction Terms and Authorized Amount**

(1) In the event of the Company's acquisition or disposal of intangible assets or right-of-use intangible assets, the terms and price of the transaction shall be determined by referring to an appraisal report issued by an expert or by referring to the fair price in the market, and an analysis report shall be submitted to the president. If the transaction amount is NT\$ 300 million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ 300 million or more, the transaction shall be approved by

the board of Directors.

(2) In the event of the Company's acquisition or disposal of memberships, the terms and price of transaction shall be determined by referring to the fair price in the market, and an analysis report shall be submitted to the Company's president. If the transaction amount is NT\$ 100 million or less, the transaction shall be approved by the president; if the transaction amount is NT\$ 100 million or more, the transaction shall be approved by the board of Directors.

### 3. Implementation Unit

The Company's acquisition or disposal of intangible assets or right-of-use intangible assets or memberships shall be approved in accordance with the preceding paragraph and shall be implemented by the department which intends to use the memberships or intangible assets and the finance department, or the administration department.

4. The Company shall engage a certified public accountant to render a specific opinion if the transaction amount reach certain condition

In the event where the transaction amount of the Company's acquisition or disposal of intangible assets or right-of-use intangible assets or memberships reaches NT\$ 300 million or more, except for trading with domestic governments, the Company shall engage a certified public accountant to issue an opinion on the reasonableness of the transaction price prior to the date of occurrence.

## **Article 11 Procedures for Acquisition or Disposal of Receivables by a Financial Institution**

In principle, the Company will not engage in transactions concerning the acquisition or disposal of receivables by a financial institution. In the event where the Company intends to engage in the acquisition or disposal of receivables by a financial institution in the future, the Company may not establish assessment and operation procedures until the transaction is approved by the board of Directors.

## **Article 12 Procedures for Acquisition or Disposal of Derivatives**

### 1. Trading Principles and Strategies

#### (1) Types of Derivatives

A. The derivatives engaged by the Company refer to transaction agreements, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rates, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance

contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

B. The provisions under this Procedure shall apply to the transactions of bond margin trading. However, this Procedure may not apply to bonds under repurchase agreements.

(2) Operation (Hedge) Strategies

The Company's engagement in derivatives transactions shall be for the purpose of hedging. The types of derivatives which the Company engages in shall be mainly for the avoidance of risks resulting from the Company's business operations. The types of foreign currencies held by the Company shall be consistent with the Company's actual demands for the foreign currencies which the Company uses in the import/export transactions and shall be at the position which the Company may internally square itself (meaning the incomes and the outgoings of the foreign currencies). The purposes of the strategy mentioned herein shall be to lower the Company's overall foreign exchange risk and to reduce the operating costs of foreign currencies. In the event of transactions for other specific purposes, such transactions shall be prudently assessed and may not be engaged in until the transactions are approved in accordance with levels of authority.

(3) Segregation of Duties

A. Finance and Accounting Department

(a) Transaction Personnel

- a. Shall be responsible for making the strategies of the Company's all derivatives transactions.
- b. Shall calculate positions every two weeks, collect market information, determine trends and evaluate risks and make operation strategies. The strategies shall serve as the basis for transactions after being approved in accordance with levels of authority.
- c. Shall conduct transactions in accordance with levels of authority and the approved strategies.
- d. Shall in the event where there are material changes to the financial market and where the approved strategies shall not apply after the transaction personnel's determination, deliver evaluation reports at any time and make new strategies. The new strategies shall serve as the basis for transactions after being approved in accordance with levels of authority.

(b) Accounting Personnel

- a. Shall confirm the completeness of transaction certificates and shall

attend to the accounting.

b. Shall determine whether each transaction was conducted in accordance with levels of authority and the approved strategies.

c. Shall conduct monthly evaluations and make announcements and reports in accordance with the regulations of the FSC.

(c) Closing Personnel: Shall be responsible for the closing.

(d) Levels of Authority for Derivatives

a. The levels of authority for each hedging transaction are as follows:

Authorization Personnel	Limit on Transaction Amount of Cumulative Net Positions
Chairman	US\$ 100 million or more
President	From US\$ 3 million to less than US\$ 100 million
Financial Officer	Less than US\$ 3 million

b. The levels of authority for each transaction other than hedge are as follows:

I. In the event of options transactions undertaken for the purpose of exporting accounts receivable, transactions whose amount are US\$ 50 million or less shall be approved by the president. For transactions whose cumulative net position exceeds US\$ 50 million, the transaction may not be conducted until being approved by the board of Directors.

II. In the event of transactions for other purposes, transactions whose amounts are US\$ 10 million or less, shall be approved by the president. For transactions whose cumulative net position exceeds US\$ 10 million, the transaction may not be conducted until being approved by the board of Directors.

#### B. Audit Department

The Audit Department shall be responsible for understanding the appropriateness of internal controls concerning derivatives transactions, auditing the transaction department's compliance with the operating procedures, analyzing the transaction cycle, preparing audit reports. In the event of any material breach or the Company is likely to suffer material loss, such personnel shall immediately prepare a report and notify the audit committee.

#### C. Performance Evaluation

(a) Hedge transactions

a. Performance shall be evaluated based on the profits and losses incurred from the currency costs on the Company's books and

the derivatives transactions which the Company engaged in.

- b. In order to control and disclose the risk assessment of the transaction, and the Company shall evaluate the profits and losses monthly.
- c. The finance department shall provide the evaluations of foreign exchange positions, trends of foreign exchange markets and market analysis to the president for the reference of its management and instructions.

(b) Transactions other than hedge transactions

Performance shall be evaluated based on actual incurred profits and losses, and the accounting personnel shall periodically provide positions reports to management for their reference.

D. Total Amount of Agreements and Caps on Damages

(a) Total Amount of Agreements

a. Amount of Hedge Transactions

I. Foreign Exchange Positions

The finance department shall control the Company's overall positions in order to avoid transaction risks. The amount of hedge transactions shall not exceed the net balance between the Company's accounts receivables and payables or offsetting the Company's total assets and total liabilities within the next year.

II. Interest Rates and Others

The total transaction amount of agreements shall not exceed the total amount or total number of units of relevant positions which the Company holds. In the event of avoiding risks arisen from overseas shareholdings, issuance of overseas and domestic bonds or the prices, exchange rates or interest rates of long term loans from banks, the transaction amount shall be limited to the total amount of outstanding balance.

b. Amount of Transactions other than hedge transactions

In order to predict the market fluctuations, the finance department may make strategies based on necessity and the transactions may not be conducted until being approved in accordance with the levels of authority. The total amount of unclosed agreements of the Company's transactions other than hedge shall not exceed, at any time, 50% of the Company's net value.

(b) Caps on Damages

a. Hedge Transactions

I. Individual Agreements: The cap shall be 20% of the individual agreement's amount.

II. All Agreements: The caps shall be 20% of total amount of all agreements.

b. Transactions other than hedge transactions

I. Individual Agreements: The cap shall be 10% of the individual agreement's amount.

II. All Agreements: The caps shall be 10% of total amount of all agreements.

c. In the event where damages exceed the aforementioned caps, the president and board of Directors shall be reported to for discussion on necessary appropriate measures.

## 2. Risk Management

### (1) Credit Risk Management

Due to the fact that Market fluctuations are triggered by various factors, which may easily cause operational risks for derivatives, market risk management will be conducted based on the following:

A. Transaction Counterparty: Transactions shall be conducted primarily with reputable domestic and foreign financial institutions.

B. Products: Products shall be limited to those provided by reputable domestic and foreign financial institutions.

C. Transaction Amount: Except for the president's approval, the transaction amount of the same transaction counterparty without write-off shall not exceed 10% of the authorized total amount.

### (2) Market Risk Management

Transactions shall be conducted primarily in public foreign exchange transaction markets provided by banks, and the futures market shall not be considered at the current stage. The Company shall manage the relevant risks by specifying the "Agreements' Total Amount" and "Caps on Damages" and shall at any time monitor and control the risks of price fluctuations caused by interests rates, changes of exchange rates or other factors.

### (3) Liquidity Risk Management

In order to ensure the liquidity of the market, the Company shall engage in derivatives transactions with higher liquidity (which means the derivatives may be squared off at any time in the market). The financial institution which the Company engages shall possess sufficient information and have the capacity to conduct transactions in any market at any time.

### (4) Cash Flow Risk Management

In order to ensure stable turnover of the Company's working capital, the Company shall engage in derivatives transactions with its own capital and the Company shall take the demands for the revenues and expenses within



the next year into consideration.

(5) Operation Risk Management

- A. In order to avoid operation risks, the Company shall fully comply with its authorized amount and operation procedures and shall include the matters regarding derivatives transactions into internal audit.
- B. Transaction personnel responsible for the Company's engagement in derivatives transactions shall not serve concurrently in other operations such as confirmation and settlement.
- C. The personnel responsible for measuring, monitoring and controlling risks shall not be in the same department as the personnel mentioned in the preceding provision and shall report to the board of Directors or top-tier officers who are not responsible for the decision of transactions or positions.
- D. The positions of derivatives transactions shall be evaluated at least once a week; however, the positions for hedge transactions shall be evaluated at least twice a month, and the evaluation report shall be submitted to the senior management authorized by the board of Directors.

(6) Products Risk Management

In order to avoid the risks from financial products, internal transaction personnel shall possess complete and correct professional knowledge on financial products and shall request banks to fully disclose the relevant risks.

(7) Legal Risk Management

In order to avoid legal risks, documents with financial institutions shall not be executed until being reviewed by foreign exchange specialists, and paralegals or legal consultants.

3. Internal Audit System

- (1) Internal audit personnel shall periodically review the appropriateness of internal controls concerning derivatives transactions and shall monthly audit the transaction department's compliance with the operating procedures, analyze the transaction cycle and prepare audit reports. In the event where any of the internal audit personnel discovers material breach, such personnel shall notify the audit committee in writing.
- (2) Internal audit personnel shall report the annual internal audit status before the end of next February and the improvements on any irregular situations before the end of next May to the website designated by the FSC.

4. Periodic Evaluation Method

- (1) The board of Directors shall authorize senior management officers to periodically monitor and evaluate whether derivatives transactions have

fully complied with transaction procedures stipulated by the Company and whether the assumed risks are within the approved scope. In the event where there are irregular situations in the market price evaluation report (e.g. the held positions exceed the cap on damages), the board of Directors shall be notified immediately, and adopt appropriate measures.

(2) The positions of derivatives transactions shall be evaluated at least once a week; however, the positions for hedge transactions shall be evaluated at least twice a month, and the evaluation report shall be submitted to senior management authorized by the board of Directors.

5. Monitoring and Management Principles of the Board of Directors when Engaging in Derivatives Transactions

(1) The board of Directors shall appoint senior management to pay continuous attention to monitoring and controlling derivatives transaction risks. The principles are as follows:

A. Periodically evaluate whether the risk management measures currently employed are appropriate and comply with laws and regulations, and this Procedure.

B. If any irregular situation is discovered in the course of monitoring the transactions and the profits and losses, necessary appropriate measures shall be undertaken, and a report shall be made immediately to the board of Directors, and independent Directors shall be present and express their opinions at the board of Directors' meeting.

(2) Periodically evaluate whether the performance of the derivatives transactions is consistent with established operational strategy and whether the risk undertaken is within the Company's accepted scope of exposure to risk.

(3) The Company shall report to the next board of Directors' meeting after it authorizes relevant personnel to handle the derivatives transactions in accordance with this Procedure.

(4) When engaging in derivatives transactions, the Company shall establish a log book, which shall record in detail the types, amounts, the board of Directors' approval dates and the matters required to be carefully evaluated under subparagraph (2), paragraph 4, and subparagraphs (1) and (2), paragraph 5 of this Article.

**Article 13**

**Procedure for mergers, spin-offs, acquisitions or transfers of shares**

1. Assessment and Operating Procedures

(1) When the Company participates in a merger, spin-offs, acquisition or transfer of shares, it shall engage attorneys, certified public accountants or underwriters to collaboratively propose the timeframe(s) in accordance with the procedure(s) specified in the laws and regulations

and shall organize a committee to conduct relevant transactions in accordance with statutory procedure(s). The Company shall, prior to convening the board of Directors to resolve the relevant matters, engage certified public accountants, attorneys or underwriters to provide 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 resolution. 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% of the issued shares or paid-in capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or paid-in capital.

(2) In the event that the Company participates in a merger, spin-offs, acquisition or transfer of shares, the Company shall prepare a public report to shareholders detailing important contractual contents and matters relevant to the merger, spin-off, acquisition or transfer of shares prior to the shareholders' meeting. The above public report, together with the notice of shareholders' meeting and the professional opinion prepared in accordance with subparagraph (1), paragraph 1 of this Article, shall be submitted to the shareholders for the reference of the resolution of the merge, spin-off or acquisition. However, if a provision of other laws and/or regulations exempts the Company from convening a shareholders' meeting to approve the merger, spin-off or acquisition, the above restriction shall not apply. Furthermore, where the shareholders' meeting of any one of the companies participating in a merger, spin-off or acquisition 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, spin-off or acquisition shall immediately publicly explain the reason, the follow-up measures and the date of the next shareholders' meeting.

## 2. Other matters

(1) Date of board of Directors' meeting:

Unless otherwise provided by law or being approved by Financial Supervisory Commission in advance, when a company is participating in a merger, spin-off or acquisition, its board of Directors' meeting and the shareholders' meeting shall be held on the same day to resolve the matters relating to the merger, spin-off or acquisition. Unless

otherwise provided by law or approved by the Financial Supervisory Commission in advance, other companies participating in the transfer of shares shall hold their board of Directors' meetings on the same day.

(2) Confidentiality:

Persons who participate in or know of the Company's merger, spin-off, acquisition or transfer of shares, shall, prior to the public disclosure of information, provide undertakings of confidentiality in writing and shall not disclose the contents of the relevant information and not trade, in their own names nor under the name of another person, in any stock or other equity security of any company related to the merger, spin-off, acquisition, or transfer of shares.

(3) Principles for establishing and changing the share exchange ratio or acquisition price:

The companies who participate in a merger, spin-off, acquisition or transfer of shares shall, prior to both parties' board of Directors' meetings, engage certified public accountants, attorneys or underwriters to provide an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders. Such an opinion shall be submitted to the shareholders' meeting. The share exchange ratio or acquisition price shall, in principle, not be arbitrarily changed. However, this restriction shall not apply when the conditions for change have been provided in the contract and such conditions have been publicly disclosed. Conditions for changing the share exchange ratio or acquisition price are as follows:

- A. Increase of cash capital, issuance of convertible corporate bonds, issuance of bonus shares, issuance corporate bonds with stock warrants, preferred stock with stock warrants, stock options and other equity securities.
- B. An action, such as a disposal of major assets, that affects the Company's financial operations.
- C. An event, such as major disasters or major changes in technology, that affects shareholders' equity or the price of securities.
- D. An adjustment where any of the companies, who participates in the merger, spin-off, acquisition or transfer of shares from another company, buys back treasury stock.
- E. An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition or transfer of shares.
- F. Other terms/conditions that the contract stipulates may be altered

and that have been publicly disclosed.

(4) Required contents of contracts:

In addition to Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract for participation by companies in mergers, spin-offs, acquisitions or transfer of shares shall include the following items:

- A. Handling of breach of contract.
- B. Principles for the processing of previously issued equity securities or purchased treasury shares of a company that is extinguished in a merger or that is spun-off.
- C. The amount and the principle of the purchase of treasury shares in accordance with the laws after the date of the participating companies' calculation of the share exchange ratio.
- D. Procedure for handling the increase or decrease in the number of participating companies.
- E. The estimated progress of the plan and estimated completion date.
- F. If the plan is not completed within the scheduled timeframe, the scheduled date for convening the legally mandated shareholders meeting and the relevant procedures.

(5) Changing in the number of companies participating in the merger, spin-off, acquisition or transfer of shares:

After public disclosure of the information, if any company participating in the merger, spin-off, acquisition or share transfer intends further to carry out a merger, spin-off, 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, spin-off, acquisition or share transfer; except that where the number of participating companies decreases and a participating company's shareholders meeting has adopted a resolution authorizing the board of Director to alter the authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

(6) When participating in a merger, spin-off, acquisition or transfer of another company's shares, a company that is listed on Taiwan Stock Exchange or has its shares traded on the OTC market shall prepare a full written record including the following information and preserve the report for 5 years for reference and shall, within 2 days counting inclusively from the date 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 A and B of the following

subparagraphs to the Financial Supervisory Commission:

- A. Basic identification data for personnel: shall include the occupational titles, names and ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the plan or implementation of any merger, spin-off, acquisition or transfer of another company's shares prior to the public disclosure of the information.
  - B. Dates of material events: shall include the dates of signing any letter of intent or memorandum of understanding, engaging a financial or legal advisor, signing a contract and the convening a board of Directors meeting.
  - C. Important documents and minutes: shall include the plans of a merger, spin-off, acquisition or share transfer, any letter of intent or memorandum of understanding, material contracts, and the minutes of board of Directors meeting.
- (7) Where any of the companies participating in the merger, spin-off, acquisitions or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and the subparagraph (1) "Date of Board of Directors' meeting", subparagraph (2) "Confidentiality", subparagraph (5) "Changing in the number of companies participating in the merger, spin-off, acquisition or transfer of shares" and subparagraph (6) of paragraph 2 of this Article shall apply.

## **Article 14**

### **Procedures of public disclosure**

#### **1. Items and standards for public announcement and report**

- (1) Acquisition or disposal of real estate or right-of-use real estate from or to a related party, or acquisition or disposal of assets or right-of-use real estate other than real estate from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets or NT\$ 300 million or more; provided that this shall not apply to the trade of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (2) Mergers, spin-offs, acquisitions or transfers of shares.
- (3) Losses from derivative transactions reaching the upper limits on aggregate losses of all transactions or the loss of individual transactions set forth in the procedures adopted by the Company.
- (4) Where the type of asset acquired or disposed is equipment or right-of-use equipment for business use, the trading counterparty is not a

related party, and the transaction amount reaches NT\$ 1 billion.

- (5) Acquisition or disposal by the Company in the construction business of real estate or right-of-use real estate for construction use, where the counterparty is not a related party, and the transaction amount reaches NT\$ 500 million. If the Company disposed the real estate to unrelated party which was built and completed by the Company, the transaction amount will be reached NT\$ 1 billion.
- (6) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented lands, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, where the counterparty is unrelated party and the Company's estimated investment amount in the transaction reaches NT\$ 500 million.
- (7) Where an asset transaction other than any of those referred to in the preceding six provisions or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided that this shall not apply to any of the following circumstances:
  - A. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than sovereign rating of Taiwan.
  - B. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (8) The amount of the transactions referred to in the above subparagraphs (1) to (7) of this paragraph shall be calculated as follows. The term "Within the preceding year" as used in the paragraph below refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the relevant regulations shall not be counted towards the transaction amount.
  - A. The amount of each individual transaction.
  - B. The cumulative transaction amount of the acquisitions and disposals of the same type of assets with the same counterparty within the preceding year.
  - C. The cumulative transaction amount of real estate or right-of-use real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) under the same development project within the preceding year.
  - D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same

security within the preceding year.

2. The time required for public announcement and report

In the event of the Company's acquisitions and disposals of assets, if any transaction details matches the items to be publicly announced in accordance with paragraph 1 of this Article and the transaction amount reaches the threshold set in this Article, a public report of relevant information shall be made within 2 days counting inclusively from the date of occurrence of the event.

3. The procedures for public announcement and report

(1)The public announcement and report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission.

(2)The Company shall compile monthly reports on the status of derivative transactions engaged in up to the end of the preceding month by itself and the subsidiaries which are not domestic public companies and upload the information in the prescribed format, by the 10<sup>th</sup> day of each month, into the information reporting website designated by the Financial Supervisory Commission.

(3)When the Company at the time of public announcement makes an error or omission in an item required by the regulations to be publicly announced and is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days counting inclusively from the date of knowing of such error or omission.

(4)The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions issued by certified public accountants, attorneys or underwriters at the Company's headquarters. Except as otherwise provided by other laws or regulations, such documents shall be preserved for at least 5 years.

(5)Where any of the following circumstances occur with respect to a transaction that the Company has already publicly announced and reported in accordance with this Article, a public report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission within 2 days counting inclusively from the date of occurrence of the event:

A.Changes, termination or rescission of a contract regarding the original transaction.

B.The merger, spin-off, acquisition or transfer of shares is not completed by the scheduled date set forth in the contract.

C.Changes to the information originally publicly announced and



reported.

#### **Article 15**

##### **Procedures complied with by the Company's subsidiaries**

1. Each of the Company's subsidiaries (the "Subsidiary" hereinafter) shall establish its "Procedures for Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". The Subsidiary's "Procedures for Acquisition and Disposal of Assets" shall be approved by its board of Directors or shareholders' meeting, and this procedure shall also apply to the amendments thereafter.
2. Any of the Subsidiary's acquisition or disposal of assets shall abide by the relevant regulations of the Company.
3. In the event where the Subsidiary is a non-public company, and where its acquisition or disposal of assets has reached the announcement standard stipulated by "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the Company shall announce and report the relevant matters on behalf of the Subsidiary.
4. In the event of the Subsidiary's, the term of the Company's paid-in capital or the Company's total assets stipulated in the Subsidiary's announcement and report standards refers to the Company's paid-in capital or total assets.

#### **Article 16**

##### **Penalties**

Any of the Company's employees who deal with any acquisition and disposal of the assets and violates this Procedure shall be evaluated according to the "Personnel Regulations and the Personnel Reward and Penalty Regulations" of the Company and shall be penalized appropriately in accordance with the level of the violation.

#### **Article 17**

##### **Implementation and amendment**

1. After the Procedure has been approved by the board of Directors, the Procedure shall be submitted to the audit committee and then to a shareholders' meeting for approval. The same procedure shall apply to any amendment to this Procedure thereafter. If an independent Director objects to or expresses reservations about any matter during discussion of the board of Directors, such objections or reservations shall be recorded in the minutes of the board of Directors' meeting.
2. During discussion of the audit committee in accordance with the preceding paragraph, in the absence of approval by more than half of all members of the audit committee, the approval of more than two thirds of all members of the board of Directors shall apply, and such resolution of the audit committee shall be recorded in the board of Directors' meeting minutes.

3. All members of the audit committee and all members of the board of Directors referred to by the preceding paragraph shall count in the incumbent ones.

**Article 18**

**Supplementary Provision**

The relevant laws and regulations shall apply to matters not provided for under this Procedure.