

# **Plastron Precision Co., Ltd.**

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

### Article 1: Purpose and legal basis

These Procedures have been established to strengthen asset management and implement information disclosure.

Unless otherwise prescribed by the laws and regulations of local governments, the acquisition or disposal of assets by the Company and subsidiaries shall be subject to these Procedures.

These Procedures are in line with Article 36-1 of the Securities and Exchange Act and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

### Article 2: Scope of assets

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

### Article 3: Definition of terms

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction,

whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. 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.
8. 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 4: 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 unappealable 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 completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

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

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

Article 5: Investment scope and amount

Total amounts of real property and right-of-use assets thereof or securities acquired by the company and each subsidiary for business use, and limits on individual securities, as follows:

1. The total amounts of real property and right-of-use assets thereof acquired for non-business use shall not exceed 20% of the Company's equity.
2. The total amounts of securities acquired shall not exceed 100% of the shareholders' equity of the Company.
3. The limit of individual securities acquired shall not exceed 30% of the shareholders' equity of the Company.
4. The shares held by the Company and its subsidiaries in the investees are held as directors of the respective company or as participating investors at the time of establishment. These shares shall not be included in the calculation of the total amount of securities investment and the amount of individual securities.

Article 6: Acquisition or disposal of real property, equipment or their right-to-use assets

1. Appraisal procedures (means of price determination and supporting reference materials)
  - (1) When acquiring or disposing of real estate or its right-to-use assets, the transaction terms and price shall be determined with reference to the evaluation of present value, assessed value and actual transaction prices of nearby real properties.
  - (2) The acquisition or disposal of real estate or its right-to-use assets may be made through inquiry of price, comparison of price.
2. Operating procedures
  - (1) Authorization amount and level
 

If the acquisition and disposal of the Company's real property, equipment, or their right-to-use assets amounting to less than NT\$12 million shall be submitted to the president for approval; if it amounts to more than NT\$12 million and less than NT\$100 million, it shall be submitted to the chairman for approval; if it amounts to more than NT\$50 million, it shall be reported at the next Board of Directors meeting; if it amounts to more than NT\$100 million, it shall be submitted to the next Board of Directors meeting for approval.
  - (2) Executive unit
 

The Company's executive unit for the acquisition and disposal of the Company's real property, equipment, or their right-to-use assets is the user department and the related authority units.
  - (3) Transaction amount
    - (I) The acquisition of the Company's real property, equipment, or their right-to-use assets: All units shall prepare a capital expenditure plan in advance and conduct a feasibility assessment. The plan then shall be submitted to the financial unit for creating a budget for capital expenditure and shall be implemented and controlled according to the content of the plan.
    - (II) Disposal of real property, equipment, or their right-to-use assets: The user shall fill in an application form or submit a special project stating the reason and method of disposal for approval.
    - (III) All real properties and equipment shall be insured after acquisition to prevent losses.
    - (IX) All assets shall be registered, managed and used in accordance with the "Rules for Managing Property, Plant and Equipment" after acquisition.
3. Valuation report of acquisition or disposal of real property, equipment or their right-to-use assets
 

In acquiring or disposing of real property, equipment, or their right-to-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to

build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (I) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (II) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

#### Article 7: Acquisition or disposal of securities

1. Appraisal procedures (means of price determination and supporting reference materials)
  - (1) For the acquisition or disposal of securities that are traded over a centralized exchange market or at a securities firm's place of business, it shall be determined by the prevailing price of the shares or bonds at the time.
  - (2) For the acquisition or disposal of securities that are not traded over a centralized exchange market or at a securities firm's place of business, it shall be determined by taking the net worth per share, profitability, future development potential, market interest rates, coupon rates of bonds, debtor's credit and the prevailing price at the time into account.
  - (3) The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.
2. Operating procedures
  - (1) Authorization amount and level

The acquisition and disposal of securities classified as current assets in the Company's financial statements shall be approved by the chairman. The acquisition and disposal of securities that are not current assets in the Company's financial statements shall be approved by the chairman. Those reaching NT\$50 million or more shall be reported at the next meeting of the Board of Directors; those reaching NT\$100 million or more shall be approved by the meeting of the Board of Directors.

(2) Executive unit

The Company's executive unit for securities investments is the financial unit.

(3) Transaction amount

(I) The acquisition or disposal of marketable securities shall be evaluated by the executive unit.

(II) Investments in physical securities in the assets shall be registered by the accounting unit and kept in a safe deposit box by the financial unit.

(III) If an equity investment or convertible bonds are original stock options or subscriptions, the Company shall acquire securities with the Company being an investor within 30 days from the date of the investee can issue stocks or bonds in accordance with the Company Act. If the acquisition is by means of transfer, the transfer of equity shall be completed immediately.

3. Expert opinion

If the amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (the FSC).

Article 8: Acquisition or disposal of intangible assets or their right-to-use assets or memberships

1. Appraisal procedures (means of price determination and supporting reference materials)

When acquiring or disposing of intangible assets or their right-to-use assets or memberships, the transaction terms and transaction price should refer to the fair market value or evaluation report of experts. An analysis report shall be prepared and submitted to the authority supervisor for approval.

2. Operating procedures

The authorization amount, level, executive unit and transaction procedures for the acquisition or disposal of intangible assets or their right-to-use assets or memberships shall be subject to Paragraph 2, Article 6.

3. Expert opinion

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

Article 9: Acquisition or disposal of claims of financial institutions

In principle, the Company does not engage in acquisition or disposal of claims of financial institutions. Where the Company wishes to engage in acquisition or disposal of claims of financial institutions, it shall first submit to the Board of Directors for approval and then establish its evaluation and operating procedures.

Article 10: The amount of transactions of Articles 6 to 8 shall be calculated as follows:

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

year.

The “within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA’s opinion has been obtained in accordance with these Procedures need not be counted toward the transaction amount.

Article 11: Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 12: Related party transaction

1. 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 Articles 6 to 8.
2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 10 herein. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
3. When the Company intends to acquire or dispose of property or their right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than property or right-of-use assets from or to a related party and the transaction amount reaches 20 percent or more of the paid-in capital, 10 percent or more of the Company’s total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and Board of Directors:
  - (1) The purpose, necessity, and expected benefits for the acquisition and disposal of assets;
  - (2) The reason for having the related party selected as the counterparty;
  - (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with these Procedures.
  - (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty’s relationship to the company and the related party.
  - (5) The monthly cash receipts and payments forecast in the coming year starting from the contracting month, and assessing the necessity of the transaction and the rationality of the use of funds;
  - (6) An appraisal report from a professional appraiser or a CPA’s opinion obtained in compliance with the first paragraph.
  - (7) The restrictions and other important agreed matters of this transaction.
4. For the following transactions conducted between the Company and the subsidiaries or between subsidiaries that are with 100% shareholding or total capital stock held directly or indirectly by the company, the chairman may be authorized to make a discretionary decision for an amount within NT\$100 million, and then report it in the most recent meeting of the Board of Directors afterward for approval:
  - (1) Acquisition or disposal of equipment or right-of-use assets thereof held for

business use.

- (2) Acquisition or disposal of real property right-of-use assets held for business use.
5. When submitting to the Board of Directors for discussion under these provisions, the opinions of each independent director shall be fully considered. If the independent director has had any objection or reservation, it shall be stated in the meeting of the Board of Directors minutes.
6. Discussions by the Audit Committee under the Procedures shall be approved by the majority of the Audit Committee and submitted to the Board of Directors for resolution.
7. If the approval of one-half or more of all Audit Committee members as required in the preceding paragraph is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.
8. The terms "all Audit Committee members" in the preceding paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.
9. If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in Paragraph 3 and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials set forth in Paragraph 3 to the shareholders' meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.
10. The calculation of the transaction amounts referred to in Paragraph 3 and preceding paragraph shall be made in accordance with Paragraph 1, Article 10, 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 Audit Committee pursuant to these Procedures, Board of Directors, and shareholders' meeting need not be counted toward the transaction amount.
11. Evaluation procedure I
  - (1) The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
    - (I) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
    - (II) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
  - (2) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding item.
  - (3) The Company acquiring real property or right-of-use assets thereof from a related

party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two items shall also engage a CPA to check the appraisal and render a specific opinion.

- (4) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraphs 3 to 10 of the Article, and the preceding three items do not apply:
  - (I) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  - (II) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
  - (III) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
  - (IX) The real property, equipment or their right-to-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

## 12. Evaluation procedure II

- (1) When the results of the Company's appraisal conducted in accordance with items 1 and 2 of the preceding paragraph are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 3. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
  - (I) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
    - (i) Where undeveloped land is appraised in accordance with the means in the preceding paragraph, 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.
    - (ii) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
  - (II) Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
- (2) Completed transactions involving neighboring or closely valued parcels of land in the preceding item 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; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area



of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

### 13. Evaluation procedure III

- (1) Where Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two paragraphs are uniformly lower than the transaction price, the following steps shall be taken:
  - (I) For the difference between the transaction price and assessed cost of the property and its use-of-right assets, a special reserve shall be appropriated in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act, and it shall not be distributed or capitalized with stock shares distributed.
  - (II) The independent directors of the Audit Committee shall handle the matter in accordance with Article 218 of the Company Act.
  - (III) Actions taken pursuant to 1. and 2. shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (2) The Company that has set aside a special reserve under the preceding item 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.
- (3) When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with (I) and (II) of the paragraph if there is other evidence indicating that the acquisition was not an arms length transaction.

### Article 13: Engagement in derivatives trading

#### 1. Transaction principle and policy

- (1) Type of transaction: The Company may undertake all derivative transactions included in the definitions of Paragraph 1 Article 3.
- (2) Business (hedging) strategy: Engagement in derivative transactions may only be performed under the principle of hedging or non-trading purposes.
- (3) Division of authority: The chairman is responsible for the approval of the execution of transactions. The Finance Supervisor or designated financial transaction officer shall be responsible for the conclusion of transactions; the personnel designated by the chairman shall be responsible for the confirmation of transactions; the accounting personnel shall be responsible for the recording of transactions; the cashier shall be responsible for clearing and settlement; the personnel of the chairman's office shall be responsible for the measurement, supervision and control of risks.
- (4) Performance evaluation points: Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
- (5) Total amount of contracts: The total amount of the Company's derivative contracts shall not exceed the scope of its business needs and all amounts shall be fully hedged.
- (6) The ceiling for losses for all contracts and each individual contract: The ceiling for losses for all contracts is 20% of the Company's net worth; the ceiling for losses for each individual contract is 20% of the individual contract amount.

2. Risk management measures
  - (1) Credit risk management: The counterparties of derivative transactions must be financial institutions with good credits that have business dealings with the Company.
  - (2) Market price risk management: The open foreign exchange markets provided by the bank are the main focus.
  - (3) Liquidity risk management: To ensure the liquidity of the market, financial products with higher liquidity are selected (e.g., readily available in the market for rolling over). The financial institution entrusted with transactions must have sufficient information and the ability to trade in any market at any time.
  - (4) Cash flow risk management: Sufficient current assets shall be maintained to respond to the needs for capital in settlement.
  - (5) Operational risk management
    - (I) The Company's authorization amount and operating procedures shall be thoroughly followed and incorporated in internal audits to avoid operational risks.
    - (II) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
    - (III) Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in 2. mentioned above and shall report to the Board of Directors.
  - (6) Legal risk management: Prior to formally signing documents with financial institutions, they shall be reviewed by specialized personnel such as the financial unit and legal affairs or legal advisors, to avoid legal risks.
3. When the Company engages in derivatives trading, its Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:
  - (1) Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
  - (2) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
4. 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 the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and these 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; an independent director shall be present at the meeting and express an opinion.
5. The personnel authorized to engage in derivative transactions shall report to the Board of Directors afterwards.
6. When the Company engages in derivatives trading, it 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 Item 4 of Paragraph 4, Item 2 of Paragraph 3 and Item 1 of Paragraph 4 shall be recorded in detail in the log book.
7. Internal audit system: The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a

monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

Article 14: Merger, demerger, acquisition, or transfer of shares.

1. When the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
2. 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 participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.
3. A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
4. A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
5. The Company shall prepare a full written record of the following information and retain it for 5 years for reference:
  - (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
  - (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
  - (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.
6. The Company shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in Items 1 and 2 of the

- preceding paragraph to the FSC for recordation.
7. Where the Company participates in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.
  8. 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.
  9. 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.
  10. The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the participating companies, 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.
  11. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and

a participating company's shareholders meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

12. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Paragraphs 3-8 and Paragraph 11.

#### Article 15: Information disclosure

1. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:
  - (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of funds issued by domestic securities investment trust enterprises.
  - (2) Merger, demerger, acquisition, or transfer of shares.
  - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures adopted by the Company.
  - (4) Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.
  - (5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
  - (6) Where an asset transaction other than any of those referred to in the preceding five items, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided. This shall not apply to the following circumstances:
    - (I) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
    - (II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. The calculation method of the transaction amount in the preceding paragraph shall be subject to the provisions of Article 10 of these Procedures. Items that have been announced in accordance with the provisions of these Procedures need not be counted toward the transaction amount.
3. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
4. When the Company at the time of public announcement makes an error or omission

in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

5. The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.
6. 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 counting inclusively from the date of occurrence of the event:
  - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
  - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - (3) Change to the originally publicly announced and reported information.

#### Article 16: Provisions acquisition or disposal of assets by subsidiaries

1. The Company shall supervise the subsidiaries to implement the Procedures for the Acquisition and Disposal of Assets in accordance with the "Regulations Governing the Acquisition and Disposal of Assets" and the provisions of these Procedures.
2. The acquisition or disposal of assets by the Company's subsidiaries is subject to the Company's "Procedures for the Acquisition and Disposal of Assets". The subsidiaries are not required to establish their Procedures for the Acquisition and Disposal of Assets.
3. Information required to be publicly announced and reported in accordance with the provisions of Article 15 on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.
4. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Paragraph 1 Article 15 of these Procedures.

#### Article 17: Implementation and Amendment

1. The establishment of these Procedures shall be approved by one-half of all members of the Audit Committee and submitted to the Board of Directors for resolution. If approval of one-half or more of all Audit Committee members is not obtained, the establishment of these Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting. 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 and submitted to the shareholders' meeting for approval. The same applies to any amendment.
2. The terms "all Audit Committee members" in the preceding paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

#### Article 18: Other matters

1. Where the relevant personnel violate these Procedures or other laws or regulations, the Company may impose a warning, demerit, demotion, suspension, salary

- reduction or other penalties depending on the severity of the situation, which will be included as an internal review matter.
2. For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.
  3. With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under these Procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each independent director.
  4. The Company's acquisition or disposal of assets are subject to the provisions of these Procedures. Matters not specified in these Procedures shall be governed by applicable laws and regulations.
  5. Any doubt with respect to the appropriateness or applicability of these Procedures shall be subject to the applicable laws and regulations. If not set forth by law and regulations, the Board of Directors of the Company shall carry out a discussion on the matter.

Article 19: Date of establishment and amendment

These Procedures were established on May 19, 2000.

1st amendment was made on May 24, 2002.

2nd amendment was made on May 20, 2003.

3rd amendment was made on June 27, 2007.

4th amendment was made on June 15, 2010.

5th amendment was made on June 15, 2012.

6th amendment was made on June 19, 2014.

7th amendment was made on April 26, 2016.

8th amendment was made on June 20, 2017.

9th amendment was made on May 7, 2019.

10th amendment was made on June 16, 2020.

11th amendment was made on June 12, 2023.