

**Taiflex Scientific Co. Ltd.**  
**Procedures for Acquisition or Disposal of Assets**

Article 1: Purpose

The Procedures are established to safeguard assets and implement information disclosure. Acquisition or disposal of the Company's asset shall comply with the Procedures.

Article 2: Legal basis

These Procedures are established pursuant to Article 36-1 of the Securities Exchange Act (hereinafter referred to as the “Act”).

Article 3: Scope of assets

- (1) Investments such as stocks, government bonds, corporate bonds, marketable securities representing interest in a fund, overseas mutual funds, depositary receipts, call (put) warrants, beneficiary securities and asset-backed securities
- (2) Real estate and equipment
- (3) Membership certificates
- (4) Intangible assets such as patents, copyrights, trademarks and licenses
- (5) Right-of-use assets
- (6) Financial institutions' claims (including receivables, bills purchased and discounted, loans, and overdue receivables)
- (7) Financial derivative instrument
- (8) Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares
- (9) Other

important assets Article 4:

Definition of terms

- (1) Derivative instrument: The term refers to contracts of forward, options, futures, leverage, or swaps with value derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, price or rate indexes, credit ratings or credit indexes or other variables, or a combination of the above contracts, or hybrid contracts or structured products containing embedded derivatives. The aforementioned forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) agreements.
- (2) Assets acquired or disposed of through legal mergers, spin off, acquisitions or transfers of shares: The term means assets acquired or disposed of through legal mergers, spin off or acquisitions pursuant to Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws; or through issuing

new shares as consideration for transfers of shares from other companies pursuant to Article 156-3 of the Company Act (hereinafter referred to as “transfer of shares”).

- (3) Related parties: The term is determined by "Regulations Governing the Preparation of Financial Reports by Securities Issuers".
- (4) Subsidiaries: The term is determined by "Regulations Governing the Preparation of Financial Reports by Securities Issuers".
- (5) Professional appraiser: The term means real estate appraisers or others who are legally permitted to engage in real estate and equipment appraisal business.
- (6) Date of occurrence: The term means the contracting date, payment date, consignment date, transfer date, resolution date of the Board of Directors' meeting or other dates on which the transaction counterparty and transaction amount can be ascertained, whichever is earlier. However, for investments which require competent authorities' approval, it shall mean aforementioned dates or the date on which approval letter from the competent authority is received, whichever is earlier.
- (7) Investment in China: The term means investments in China conducted in accordance with the Rules for Governing the Investment or the Technical Cooperation in Mainland China stipulated by Investment Commission, Ministry of Economic Affairs.
- (8) Within one year: The term means one year calculated retrospectively from the asset acquisition or disposal date, which is considered as the base date. The part which has been publicly announced shall not be included.
- (9) The latest financial statements: The term means the Company's financial statements which are legally and publicly certified or reviewed by certified public accountants (CPAs) before the acquisition or disposal of assets.

Article 5: Investment limits of non-operating real estate and right-of-use assets thereof, and securities

- (1) The total amount of non-operating real estate and right-of-use assets thereof acquired individually by the Company and its subsidiaries shall not exceed 15 percent of the net worth.
- (2) The respective net investment of the Company and its subsidiaries in a listed or over-the-counter (OTC) company shall not exceed 10 percent of the net worth in respective companies' latest financial statements.
- (3) The total shareholding of the Company and its subsidiaries in a listed or OTC company shall not exceed 10 percent of the total issued shares of the said listed or OTC company.
- (4) The subsidiaries' shareholding in the Company shall not exceed 10

percent of the applicant company's total issued shares.

For investments which are intended to be held on a long-term basis and which the Company and its subsidiaries participate in investment establishment or act as directors of the investees, they may be excluded when calculating the investment ratio in Subparagraphs 2 and 3 of the preceding paragraph.

Article 6: The professional appraisers and related appraising personnel from whom the Company obtains appraisal reports and the CPAs, lawyers or securities underwriters from whom the Company acquires opinions shall meet the requirements in Article 5 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

Article 7: Procedures for acquisition or disposal of real estate, equipment, or right-of-use assets thereof:

(1) Assessment and operation procedures

Acquisition or disposal of the Company's real estate, equipment, or right-of-use assets

thereof shall be handled in accordance with the real estate, equipment, or right-of-use assets thereof cycle procedures under the Company's internal control system.

(2) Determination of trading terms and authorization limit:

- (i) To acquire or dispose of real estate, the Company shall refer to the publicly announced current value, assessed value, actual trading price of neighboring real estate, etc. to determine the trading terms and price and submit an analysis report to the Chairperson. Amounts equal to or below NT\$ 50,000,000 shall be submitted to the Chairperson for approval and reported afterwards in the latest Board of Directors' meeting. Amounts over NT\$ 50,000,000 shall be approved by the Board of Directors.
- (ii) Acquisition or disposal of equipment shall be implemented in any of the following methods: inquiry, bidding, price negotiation or tendering. Amounts below (including) NT\$ 200,000 shall be approved by the Company's approval authority based on their authorization limits; amounts over NT\$ 200,000 and below (including) NT\$ 30,000,000 shall be submitted to the Chairperson for approval and reported afterwards in the latest Board of Directors' meeting. Amounts over NT\$ 30,000,000 must be approved by the Board of Directors.
- (iii) Regarding the Company's acquisition or disposal of assets which shall be passed by the Board of Directors according to the Procedures stipulated herein or other laws, if any director expresses objections on the recorded or in writing, the Company shall submit such director's objection to each audit committee member. In addition, when the Company reports the transactions of asset acquisition or disposal to the Board of Directors pursuant to regulations, it shall fully consider each independent director's

opinions and include his/her comments and reasons for consent or objection in the meeting minutes.

(3) Implementation departments

After approved by the aforementioned approval authority, the acquisition or disposal of the Company's real estate and equipment shall be implemented by the user departments and the Management Division.

(4) Appraisal reports for assets

Regarding the acquisition or disposal of real estate, equipment, or right-of-use assets thereof, except for transactions with domestic government agencies, commissioned construction on own land, commissioned construction on leased land or acquisition or disposal of operating or right-of-use assets thereof equipment, the Company shall obtain an appraisal report produced by a professional appraiser (please refer to related laws and regulations for details on items to be included in an appraisal report) before the date of occurrence and meet the following criteria when the trading amount exceeds twenty percent of the Company's paid-in capital or NT\$ 300,000,000:

- (i) When a limited price, specific price or special price must be used as reference for the trading price due to special circumstances, such trading shall be submitted to the Board of Directors for approval. The same procedures shall apply for any subsequent changes to the trading terms. Trading amounts exceed NT\$ 1,000,000,000 shall have appraisal reports from two or more professional appraisers.
- (ii) If any of the following situation occurs, unless all of the appraisal values for asset acquisition are higher than the trading amount or all of the appraisal values for asset disposal are lower than the trading price, the Company shall contact CPAs to express specific opinions on the reasons for the discrepancy and the fairness of the trading price.
  - A. The difference between the appraisal results and the trading amount exceeds 20 percent of the trading amount or more.
  - B. The difference between the appraisal results from more than two professional appraisers exceeds 10 percent of the trading amount.
- (iii) The date of report issued by a professional appraiser shall not be more than three months earlier than the contract date. However, if the same period of publicly announced current value is applicable and the report is no earlier than six months, the original professional appraiser may issue an opinion.
- (iv) Where the Company acquires or disposes of assets through court auctions, certificates issued by the court may substitute for appraisal reports or CPAs' opinions.

Article 8: Acquisition or disposal procedures for marketable securities

(1) Assessment and operation procedures

The Company's purchase and sale of long and short-term marketable securities shall be handled in accordance with the investment cycle operation under the Company's internal control system.

(2) Determination of trading terms and authorization limit

(i) Regarding marketable securities which are traded in a centralized or OTC market, the Company's in-charge department shall make judgments and decisions based on market conditions. Amounts below (including) NT\$ 30,000,000 shall be submitted to the Chairperson for approval and reported afterwards in the latest Board of Directors' meeting. An analysis report on the unrealized gain or loss of long and short-term marketable securities shall be presented concurrently. Amounts over NT\$ 30,000,000 shall be passed by the Board of Directors.

(ii) Regarding marketable securities which are not traded in a centralized or OTC market, the Company shall, before the date of occurrence, obtain the target

company's latest CPA-certified or reviewed financial statements as a reference for assessment of the trading price and take into accounts its book value per share, profitability, future development potential, etc. In addition, where the trading amount exceeds 20 percent of the Company's paid-in capital or NT\$ 300,000,000, the Company shall, before the date of occurrence, contact CPAs to express opinions on the reasonableness of the trading price. Investment amounts below (including) NT\$ 50,000,000 shall be approved by the Chairperson and reported afterwards in the latest Board of Directors' meeting. An analysis report on the unrealized gain or loss of long and short-term marketable securities shall be presented concurrently. Amounts over NT\$ 50,000,000 must be passed by the Board of Directors. However, if the timing of acquisition or disposal does not fall on the Board of Directors' meeting session, it may be approved by the Chairperson and ratified afterwards in the latest Board of Directors' meeting.

(iii) Regarding short-term investments which use money market instruments as the main operating objects and earn fixed interest income, investment amounts below (including) NT\$ 50,000,000 shall be approved by the Chairperson and reported afterwards in the latest Board of Directors' meeting. Amounts over NT\$ 50,000,000 shall be passed by the Board of Directors.

(iv) Regarding the acquisition or disposal of Company's assets which

shall be passed by the Board of Directors according to the provisions herein or of other laws, if any director expresses objections on the record or in writing, the Company shall submit the objections to the audit committee. In addition, when the Company reports the transactions of asset acquisition or disposal to the Board of Directors pursuant to regulations, the Company shall fully consider each independent director's opinions and include his/her comments and reasons for consent or objection in the meeting minutes.

(3) Implementation departments

After approval of the aforementioned approval authority, the Company's long and short-term marketable securities investments shall be implemented by the Finance Department.

(4) Engagement in investments in China shall proceed in accordance with regulations by Investment Commission, Ministry of Economic Affairs.

Article 9: Procedures for related party transaction

(1) Regarding acquisition or disposal of assets between the Company and related parties, in addition to compliance with Article 7 of the Procedures for the related resolution procedures and reasonableness assessment of the transaction, etc., where the trading amount exceeds 10 percent of the Company's total assets, the Company shall obtain appraisal reports produced by professional appraisers or CPA's opinions in accordance with Article 7 herein. The calculation of trading amount shall be conducted in accordance with Article 10-1 herein. In judging whether the trading counterparty is a related party, the Company shall, in addition to paying attention to the legal formalities, consider the substantive relations.

(2) Assessment and operation procedures

Where the Company acquires or disposes of real estate or right-of-use assets thereof from or to a related party or of other non-real estate assets or right-of-use assets thereof and the trading amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$ 300,000,000, the following information shall be passed by the Board of Directors and acknowledged by the audit committee before signing the contract and making payments:

- (i) Purpose, necessity and expected benefits of the asset acquisition or disposal.
- (ii) Reasons for choosing the related party as trading counterparty.
- (iii) Information related to the assessment of reasonableness of preliminary trading terms in accordance with Subparagraphs 1 and 4 of Paragraph 3 of this Article for real estate or right-of-use assets acquisition from related

party.

- (iv) Items such as the related party's original acquisition date, price, trading counterparty and the counterparty's relations to the Company and the related party.
- (v) Monthly cash flow forecasts of the coming year starting from the estimated contract-signing month and the assessments on necessity of trading and reasonableness of fund utilization.
- (vi) Appraisal reports produced by professional appraisers or CPAs' opinions which are obtained in accordance with the above paragraphs.
- (vii) Restrictions and other important stipulations for the trading.

The calculation of trading amount shall be conducted in accordance with Article 14 herein. The term "within one year" means one year calculated retrospectively from the transaction date, which is considered as the base date. The part which has been approved by the Board of Directors in accordance with the Procedures is excluded from the calculation. For following transactions between the Company and its subsidiaries or between subsidiaries whose shares issued or paid-in capital are 100 percent owned, directly or indirectly, by the Company, the Board of Directors may authorize the Chairperson to approve within a certain amount in accordance with Article 7 herein and report it afterwards for acknowledgement in the latest Board of Directors' meeting.

A. Acquisition or disposal of operating equipment or right-of use assets thereof.

B. Acquisition or disposal of operating real estate right-of-use assets.

Where the Company or its subsidiaries that are not domestic public companies engage in transaction set forth in paragraph 2 with a trading amount exceeding 10 percent of the Company's total assets, the Company shall submit information set out in paragraph 1 to the shareholders' meeting and obtain its approvals before signing the contract and making payments. This rule, however, does not apply to transactions between the Company and its subsidiaries or between subsidiaries.

The calculation of trading amount shall be conducted in accordance with Article 14 herein. The term "within one year" means one year calculated retrospectively from the transaction date, which is considered as the base date. The part which has been approved by the shareholders' meeting and the Board of Directors in accordance with the Procedures is excluded from the calculation.

### (3) Assessment of reasonableness of trading cost

- (i) To acquire real estate or right-of-use assets thereof from a related party, the Company shall assess the reasonableness of trading cost in the following methods:
  - A. The related party's trading price plus the necessary interest of funding and the cost to be borne by the buyer pursuant to laws and

regulations. The term "necessary interest of funding" shall be calculated using the weighted average interest rate for borrowings in the year of which the company acquired the assets. However, the interest rate shall not be higher than the maximum borrowing rate for non-financial industry announced by the Ministry of Finance.

- B. Total loan value appraised by the financial institution if the related party has been granted a mortgage loan on the subject matter from the financial institution, provided the accumulative loans from the financial institution exceed 70 percent of the total appraised loan value and the period of loan has been over one year. But this shall not apply where the financial institution and one of the trading parties are related parties mutually.
- (ii) Where both land and buildings of the same subject matter are purchased or leased, the Company may use one of the above methods to assess the trading cost of land and buildings separately.
- (iii) To acquire real estate or right-of-use assets thereof from a related party, the Company shall assess the cost of real estate or right-of-use assets thereof in accordance with the preceding two subparagraphs and contact CPAs to review and express specific comments.
- (iv) If all values assessed in accordance with Subparagraphs 1 and 2 of this Paragraph are lower than the trading price, actions shall be taken in accordance with Subparagraphs 5 of Paragraph 3 of this Article. The rule does not apply to the following circumstances with objective evidences and professional real estate appraisers' and CPAs' concrete opinions on reasonableness provided.
  - A. Where the related party acquired bare land or leased land for construction, the Company may submit evidences of compliance with one of the following conditions:
    - a. With the bare land assessed in an aforementioned method and the buildings assessed on the basis of the related party's construction cost plus reasonable construction profit, the total assessed amount exceeds the actual trading price. The term "reasonable construction profit" refers to profits calculated based on the 3-year average gross profit margin of the related party's construction department or the latest gross profit margin of the construction industry announced by Ministry of Finance, whichever is lower.
    - b. Completed transactions of non-related parties within one year involving other floors of the same subject matter or in the neighborhood area with similar land area and equivalent trading terms, after taking into account the reasonable price



difference in floor or location according to standard real estate or leasing market practices.

- B. The Company provides evidence that the real estate purchased or real estate right-of-use assets lease from a related party has trading terms equivalent to real estate transactions by non-related parties within one year of items with similar land areas in the neighborhood. The said completed transactions "in the neighborhood" basically refers to those in the same or neighbored street within 500 meters from the subject matter of trading or with similar publicly announced current values. The said "with similar land areas" basically means the land areas of completed transactions by non-related parties is no less than 50% of the subject matter of trading. The said "within one year" means one year calculated retrospectively from the transaction date of the acquisition of real estate or right-of-use assets thereof, which is considered as the base date.
- (v) Regarding the Company's real estate acquisitions or right-of-use assets thereof from related parties, if all of the results assessed in accordance with Subparagraphs 1 and 2 of this Paragraph are lower than the trading price, the following matters shall be carried out:
- A. In respect of the difference between the trading price and the assessed cost of the real estate or right-of-use assets thereof, the Company shall recognize a special reserve in accordance with Paragraph 1 of Article 41 of the Act. It shall not be distributed or used for capital increase and issuance of bonus share. If an investor, who accounts for its investment in another company under equity method, is a publicly listed company, the special reserve pursuant to Paragraph 1 of Article 41 of the Act shall be recognized in proportion to the shareholding percentage of the investor in the investee company.
  - B. Audit committee members shall comply with Article 218 of the Company Act.
  - C. Actions taken pursuant to the preceding two Items shall be reported to the shareholders' meeting and the trading details shall be disclosed in the annual report and prospectus.

The Company which recognizes a special reserve in accordance with the said provisions may use such reserve upon

approvals from competent securities authority and after assets purchased or leased at a premium had recognized losses from decline of market value or been disposed of; or lease agreement terminated; or been compensated appropriately; or restored to original status, or there are other evidences indicating the transaction is not unreasonable.

(vi) Regarding the Company's acquisition of real estate or right-of-use assets thereof from related parties, if any of the following exists, actions shall be conducted in accordance with the preceding Paragraph. The provisions related to assessment of reasonableness of trading cost in Subparagraphs 1, to 3 of this Paragraphs 3 of this Article are not applicable.

A. The related party acquired real estate or right-of use assets thereof by inheritance or gift.

B. It is more than five years from the time the related party signed the acquisition contract of real estate or right-of use assets thereof to the date of this trading.

C. The Company acquired real estate by signing a joint

construction

contract with the related party.

D. Acquisition of operating real estate right-of-use assets by the Company,

its subsidiaries, or between subsidiaries whose shares issued or paid-in capital are 100 percent owned, directly or indirectly, by the Company.

(vii) Regarding the Company's acquisition of real estate or right-of use assets thereof from related parties, if there are other evidences showing non-compliance of business practices, actions shall be taken in accordance with Subparagraph 5 of this Paragraph.

Article 10: Procedures for acquisition or disposal of membership certificates or intangible assets or right-of-use assets thereof, or membership certificates

(1) Assessment and operation procedures

The acquisition or disposal of the Company's membership certificates or intangible assets or right-of-use assets thereof, or membership certificates shall be conducted in accordance with relevant operation procedures of the Company.

(2) Determination of trading terms and authorization limit

(i) Regarding the acquisition or disposal of intangible assets or right-of-use assets thereof, or membership certificates,, the Company shall refer to the fair value of the market in determining the trading terms and trading price and submit an analysis report to the Chairperson. Amounts below 1 percent of the paid-in capital or NT\$ 3,000,000 shall be submitted to the Chairperson for approval. Amounts exceed NT\$ 3,000,000 must be passed by the Board of Directors.

(ii) The Company's acquisition or disposal of intangible assets or right-of-use assets thereof, or membership certificates shall be approved by the majority of all audit committee members and submitted to the Board of Directors for resolutions.

The transaction may be undertaken upon the consent of two-thirds of the total number of directors if the majority of audit committee members does not approve. In such a case, the resolutions of the audit committee shall be recorded in the minutes of the Board of Directors' meeting.

(3) Implementation departments

After approval from the approving authority pursuant to the above paragraphs, the Company's acquisition or disposal of intangible assets or right-of-use assets thereof, or membership certificates shall be implemented by the user departments and the finance department or the management department.

(4) Expert assessment reports for intangible assets or right-of-use assets thereof, or membership certificates

- (i) Where the trading amount of the Company's acquisition or disposal of membership certificates exceeds 1 percent of the paid-in capital or NT\$ 3,000,000, the Company shall ask an expert to produce an appraisal report.
- (ii) Where the trading amount of the Company's acquisition or disposal of intangible assets or right-of-use assets thereof exceeds 10 percent of the paid-in capital or NT\$ 20,000,000, the Company shall ask an expert to produce an appraisal report.
- (iii) Where the trading amount of the Company's acquisition or disposal of intangible assets or right-of-use assets thereof, or membership certificates exceeds 20 percent of the Company's paid-in capital or NT\$ 300,000,000, the Company shall contact CPAs to express an opinion on the reasonableness of the trading price before the day of occurrence.
- (iv) Article 10-1: The calculation of trading amount in Articles 7, 8 and 10 of the Procedures shall be conducted in accordance with Paragraph 1 of Article 14. The said "within one year" means one year calculated retrospectively from the date of trading, which is considered as the base date. The part for which the Company has obtained appraisal reports produced by professional appraisers or CPA's opinions in accordance with the Procedures shall not be included.

Article 11: Procedures for acquisition or disposal of financial institutions' claims

In principle, the Company does not engage in the acquisition or disposal of financial institutions' claims. In the future, if the Company intends to engage in such matters, the Company will submit the proposal to the Board of Directors for approval before stipulating its assessment and operation procedures.

## Article 12: Procedures for derivative instruments transactions

### (1) Trading principles and guidelines

#### (i) Types of trading

- A. The derivative instruments in which the Company engages refer to trading contracts where the value is derived from commodities such as assets, interest rates, foreign exchange rates, indexes or other interests (for instance, forward, option, futures, interest rates, foreign exchange rates and swap contracts and hybrid contracts consisting of the above commodities)
- B. Regarding bond margin trading, the provisions hereof shall also apply *mutatis mutandis*. The provisions hereof may not apply to engagement in bond repurchase trading.

#### (ii) Operating (hedging) strategies

The trading of derivative instruments engaged by the Company shall be for hedging purposes. The Company shall mainly choose to use trading commodities which hedge risks arising from its operations. The foreign currencies held must be consistent with the demand of foreign currencies resulting from the import and export transactions of the Company. It is mainly for squaring off the Company's overall internal positions (refers to the inflows and outflows of foreign currency) so as to reduce the Company's overall foreign exchange risks and the cost of exchange trading. Other trading for specific purposes must be subject to thorough evaluation and shall be approved by the Board of Directors before implementation.

#### (iii) Division of responsibilities

##### A. Finance department

##### a. Trading staff

- i. Responsible for establishing the Company's trading strategies of derivative instrument.
- ii. Every two weeks, the trading staff shall calculate exposures, collect market information, conduct trend analysis and risk assessment and establish trading strategies which will be the basis for trading after being approved by the approval authority.
- iii. Execute transactions as per authorization limit and the established strategies.
- iv. When there are significant changes in the financial markets and the trading staffs deem the established strategies inapplicable, they can submit an evaluation report at any

time and reformulate strategies. After approval of the General Manager, it will be the basis for trading.

- b. Accounting staff
  - i. Confirmation of transaction execution.
  - ii. Review whether trading is conducted as per authorization limit and the established strategies.
  - iii. Conduct evaluation monthly and present the evaluation report to the General Manager.
  - iv. Accounting bookkeeping.
  - v. Make filing and public announcements in accordance with regulations of the competent securities authority.
- c. Settlement staff: Implement settlement tasks.
- d. Approval authority of derivative instruments:
  - i. Hedge trading - approval authority of preorder/presale forward exchange rates contracts

Approval authority	Authorization limit for daily trading	Authorization limit for trading of accumulative net positions
Chief finance/accounting executive	Below US\$ <u>5</u> M	Below (incl.) US\$ <u>15</u> M
General manger	US\$ <u>5</u> M- <u>10</u> M (Incl.)	Below (incl.) US\$ <u>30</u> M
Chairperson	Over US\$ <u>10</u> M	Below (incl.) US\$ <u>50</u> M

- ii. Hedging trading - approval authority of non-preorder/presale forward exchange rates contracts

Approval authority	Authorization limit for daily trading	Authorization limit for trading of accumulative net positions
Chief finance/accounting executive	Below US\$ 0.5M	Below (incl.) US\$ 1.5M
General manager	US\$ 0.5M-2M (incl.)	Below (incl.) US\$ 5M
Chairperson	Over US\$ 2M	Below (incl.) US\$ 10M

- iii. Other trading for specific purposes shall be approved by the Board of Directors before implementation.
- iv. Regarding the Company's acquisition or disposal of assets which shall be passed by the Board of Directors according to the procedures stipulated herein or other laws, if any director expresses objections on the recorded or in writing, the Company shall submit such director's objection to the audit committee. In addition, when the Company reports the trading of asset acquisition or disposal to the Board of

Directors, the Company shall fully consider each independent director's opinions and include his/her comments and reasons for consent or objection in the meeting minutes.

B. Audit department

Audit Department is responsible for understanding the adequacy of internal control over trading of derivative instruments and auditing the trading department's compliance with operation procedures. It should analyze the trading cycle in order to prepare audit reports and report to the audit committee and the Board of Directors when significant negligence occurs.

C. Performance evaluation

a. Hedge trading

- i. The profit/loss arising from the difference between the cost of exchange rate and the trading of derivative instruments is used as a basis for performance evaluation.
- ii. To fully control and express the evaluation risk of trading, the Company adopts the monthly evaluation method to evaluate profit/loss.
- iii. The finance department shall provide evaluation of foreign exchange position and foreign exchange market trends together with market analysis to the General Manager as reference and guidance for management.

b. Trading for specific purposes

The actual profit/loss incurred is used as a basis for performance evaluation, and the accounting staff shall prepare position reports regularly as a reference for management.

D. Total contract amount and the upper limit for loss

a. Total contract amount

i. Hedge trading

The Finance Division shall understand the Company's overall positions when hedging for trading risks. The amount of hedge trading is capped at two-thirds of the Company's net positions of foreign currency assets (such as accounts receivable and bank deposits) less liabilities as of the end of previous month.

ii. Trading for specific purposes

The Finance Division shall formulate strategies based on the market forecasts and the strategies can only be carried out upon approvals from the General Manager and the Chairperson. The total contract amount of the Company's trading for specific purposes is capped at US\$ 10,000,000.

b. Upper limit for loss

- i. Loss is capped at 10 percent of the overall trading amount.
- ii. The loss of individual contract is capped at 10 percent of the contract.
- iii. If it is a contract of specific purposes, the loss of individual contract is capped at US\$ 50,000 or 10 percent of the trading amount, whichever is lower.
- iv. The Company's annual loss on trading for specific purposes is capped at US\$ 300,000.

(2) Risk management measures

(i) Credit risk management:

- A. As market fluctuates by various factors, trading of derivative instruments is easily exposed to risks. Therefore, market risk management shall be conducted in accordance with the following principles:
- B. Trading counterparty: Mainly the well-known domestic and foreign financial institutions.
- C. Trading commodity: Commodities provided by well-known domestic and foreign financial institutions only.

- (ii) Trading amount: The outstanding amount of the same trading counterparty shall not exceed 10 percent of the total amount authorized unless approved by the General Manager.

Market risk management:  
Transactions are conducted mainly in public foreign exchange markets provided by banks; futures markets are not taken into consideration for now.

(iii) Liquidity risk management:

To ensure market liquidity, derivative instruments with higher liquidity (i.e., readily available on market for trading) are chosen in principle. The financial institutions entrusted with trading must have sufficient information and the ability to readily conduct trading at any market.

(iv) Cash flow risk management

To ensure the stability of working capital, the trading of derivative instruments are limited to the Company's equity funds and the trading amount shall take into account the capital needs forecasted by the cash in and outflows for the next three months.

(v) Operational risk management

- A. The Company's authorization limit and operation procedures shall be followed thoroughly and incorporated into internal audit to avoid operational risks.
- B. The staff engaged in trading of derivative instruments and the staff engaged in confirmation and settlement shall segregate their duties.
- C. The staff involved in risk evaluation, supervision and control and the staff in the preceding paragraph shall belong to different departments, and shall report to the Board of Directors or to top executives who do not assume the decision-making responsibilities for trading or position.
- D. Positions held in the trading of derivative instruments shall be assessed at least once a week. However, the hedge trading required in business shall be assessed at least twice a month. The assessment report shall be presented to the top executives authorized by the Board of Directors.

(vi) Commodity risk management

The internal staff shall have complete and correct professional knowledge in derivative instruments and demand banks to fully disclose risks involved to avoid the risk of misusing the instruments.

(vii) Legal risk management:

Documents to be signed with financial institutions shall be reviewed by specialists in foreign exchange and legal affairs or legal consultancy before they are officially signed so as to avoid legal risks.

(3) Internal audit system

- (i) The internal auditors shall regularly review the adequacy of internal control on the trading of derivative instruments. They shall monthly audit the trading department's compliance with relevant procedures and analyze the trading cycle to prepare audit reports. If significant violation is found,

they shall notify the audit committee in writing.

- (ii) The internal auditors shall, by the end of February of next year, declare the audit reports together with the annual internal audit results to the Securities and Futures Institute. Improvements on abnormal items shall be filed to the same institute by the end of May the latest.

(4) Methods for regular assessment

- (i) The Board of Directors shall authorize top executives to regularly supervise and assess whether derivatives trading complies with the trading procedures stipulated by the Company and whether the risks



undertaken are acceptable. When the assessment report on market price indicates an abnormal situation (such as when the positions held exceed the upper limit for loss), it shall be reported to the Board of Directors immediately and countermeasures shall be taken.

- (ii) Positions held in the trading of derivative instruments shall be assessed at least once a week. The hedge trading required in business shall be assessed at least twice a month. The assessment report shall be presented to the top executives authorized by the Board of Directors.

(5) Supervision and management principles of the Board of Directors when engaging in the trading of derivative instruments

- (i) The Board of Directors shall designate top executives to constantly monitor the supervision and control of risks of derivative instruments trading. The management principles are as follows:
  - A. Regularly assess whether the risk management measures currently in use are adequate and proceeded in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the Procedures.
  - B. Monitor trading and profit/loss. When an abnormal event is identified, countermeasures shall be taken and the Board of Directors shall be notified immediately. If the Company has independent directors, they shall attend the Board of Directors’ meeting and express opinions.
- (ii) Regularly assess whether the performance of derivative instruments trading meets the established management strategies and whether the risks undertaken are acceptable.
- (iii) When the Company engages in the trading of derivative instruments, matters delegated to related staff according to relevant procedures shall be reported afterwards to the Board of Directors.
- (iv) When engaged in the trading of derivative instruments, the Company shall establish a memorandum book to record details on transaction type and amount, resolution date of the Board of Directors and matters which shall be carefully assessed according to Subparagraph 2 of Paragraph 4 and Subparagraphs 1 and 2 of Paragraph 5 of this Article.

Article 13: Procedures for merger, spin off, acquisition or transfer of shares

(1) Assessment and operation procedures

- (i) For mergers, spin off, acquisitions or transfer of shares, the Company shall appoint lawyers, CPAs and underwriters to jointly propose a schedule for legal procedures and organize a task force to implement in accordance with legal procedures. Before convening the Board of

Directors' meeting for resolution, the Company shall appoint CPAs, lawyers or underwriters to express their opinions regarding the reasonableness of stock conversion ratio, acquisition price or cash or other assets allotted to shareholders.

Opinions on reasonableness from the above-mentioned professionals are not required when the Company merges a subsidiary whose shares issued or paid-in capital are 100 percent owned, directly or indirectly, by the Company or the merger occurs between subsidiaries whose shares issued or paid-in capital are 100 percent owned, directly or indirectly, by the Company.

- (ii) Regarding the important terms in the contracts and relevant matters of the merger, spin off or acquisition, the Company shall compile an open report to shareholders before the shareholders' meeting. This together with the expert opinions referred to in Subparagraph 1 of Paragraph 1 of this Article and the shareholders' meeting notice shall be delivered to shareholders as reference materials in deciding whether to approve the merger, spin off or acquisition. The rule does not apply where under other laws and regulations it is not required to convene the shareholders' meeting for resolution on merge, spin off or acquisition. In addition, if any of the companies participated in the merger, spin off or acquisition is unable to convene the meeting, make a resolution or have the motion passed by the shareholders' meeting due to lack of a quorum, insufficient voting rights or other legal restrictions, the companies shall immediately and publicly explain the causes, subsequent procedures and the scheduled date to convene the shareholders' meeting.

(2) Other matters to be noted

- (i) The date of the Board of Directors' meeting: Unless otherwise stipulated by other laws or where there are special circumstances that have already been reported and approved by the competent securities authority, companies participating in the merger, spin off or acquisition shall convene the Board of Directors' meeting and shareholders' meeting on the same day to resolve matters related to the merger, spin off or acquisition. Unless otherwise stipulated by other laws or where there are special circumstances that have already been reported and approved by the competent securities authority, companies participating in the transfer of shares shall convene the Board of Directors' meeting on the same day.
- (ii) The signing of prior confidentiality agreement: All personnel who participate in or are aware of the merger, spin off, acquisition or transfer of shares of the company shall sign the written confidentiality agreements. Before information become public, they shall neither disclose the project

contents nor buy or sell, in their own or other people's names, the shares and other equity-type marketable securities of any of the companies associated with the merger, spin off, acquisition or transfer of shares.

- (iii) Guidelines for determining and changing the stock conversion ratio or acquisition price: Companies participating in the merger, spin off, acquisition or transfer of shares shall, before the Board of Directors' meetings of both parties, appoint CPAs, lawyers or underwriters to express their opinions regarding the reasonableness of stock conversion ratio, acquisition price or cash or other assets allotted to shareholders. Those opinions would be submitted to the shareholders' meeting. In principle, stock conversion ratio or acquisition price cannot be changed arbitrarily unless the conditions for change have been stipulated in the contract and publicly disclosed. Conditions for changing the stock conversion ratio or acquisition price are as follows:

- A. Cash capital increase, issuance of convertible corporate bonds, bonus shares or issuance of corporate bonds with warrants, preferred shares with warrants, stock option certificates and other equity-type marketable securities.
- B. Actions that affect the Company's financial operations, such as disposal of the Company's major assets.
- C. Occurrence of major disasters or significant technical changes that affect shareholders' rights and interests or share price of the Company.
- D. Adjustment due to treasury stocks buyback pursuant to relevant laws and regulations by one of the companies participating in the merger, spin off, acquisition or transfer of shares.
- E. Changes in the entities or the number of companies participating in the merger, spin off, acquisition or transfer of shares.
- F. Other conditions that allow changes as stipulated in the contract and have been publicly disclosed.

- (iv) Matters to be included in the contract: In addition to compliance with Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract of the companies participating in the merger, spin off, acquisition or transfer of shares shall contain the following items:

- A. Handling of violations.
- B. Guidelines on the handling of equity-type marketable securities already issued or treasury stocks already bought back by the company eliminated due to the merger or split.
- C. The volume and handling principles of treasury stocks that may be legally bought back by a participating company after the record date for calculation of stock conversion ratio.

- D. Methods to handle the changes in the main entities or in the number of participating companies.
  - E. Estimated implementation progress and completion date of the project.
  - F. Estimated date to legally convene the shareholders' meeting and other related procedures when the project fails to be completed as scheduled.
- (v) The change of numbers of companies participating in the merger, spin off, acquisition or transfer of shares: Once the project is publicly disclosed, if any of the companies participating in the merger, spin off, acquisition or transfer of shares intends to merge, spin off, acquire, or transfer shares with other companies, the procedures or legal actions which have been completed in the original project shall be repeated by all participating companies. Where there is a decrease in the number of participating companies and the shareholders' meeting has resolved and delegated the authorization for changes to the Board of Directors, the participating companies are not required to convene the shareholders' meeting for resolution again.
  - (vi) The Company shall sign an agreement with non-publicly listed companies participating in the merger, spin off, acquisition or transfer of shares and take actions in accordance with Subparagraph 1, "The date of the Board of Directors' meeting"; Subparagraph 2, "The signing of prior confidentiality agreement"; and Subparagraph 5, "the change of numbers of companies participating in the merger, spin off, acquisition or transfer of shares" of Paragraph 2 of this Article.
  - (vii) Publicly-listed or OTC companies participating in the merger, spin off, acquisition or transfer of shares shall make a complete written record of the following information and retain it for five years.
    - A. Basic information of the staff: including job titles, names and identification card number (or passport number for a foreigner) of all persons who participated in or implemented the merger, spin off, acquisition or share transfer of shares before the news is publicized.
    - B. Dates of important events: including the signing of the letter of intent or memorandum, the engagement of financial or legal consultants, the execution of a contract, and the convening of the Board of Directors' meeting.
    - C. Important documents and minutes: including the plans for merger, spin off, acquisition or transfer of share, letter of intent or memorandum, important contracts and Board of Directors' meeting minutes.

Publicly-listed or OTC companies participating in the merger, spin off, acquisition or transfer of shares shall declare the information referred to

in Subparagraphs 1 and 2 of the preceding paragraph to the competent securities authority in the prescribed format and through Internet within two days from the day it is passed by resolution of the Board of Directors (the date of resolution being the first day).

The publicly-listed or OTC companies participating in the merger, spin off, acquisition or transfer of shares shall sign an agreement with non-listed or non-OTC companies in the project and actions shall be taken in accordance with Paragraphs 3 and 4.

Article 14: Procedures for public disclosure of information

- (1) Items to be announced and declared and the standards for announcement and declaration
  - (i) Acquisition or disposal of real estate or right-of-use assets thereof from or to a related party or non-real estate assets from or to a related party with trading amount exceeds 20 percent of the Company's paid-in capital, 10 percent of the Company's total assets or NT\$ 300,000,000. This does not apply to the purchase or sale of domestic government bonds or bonds with repurchase or resale agreements.
  - (ii) Engagement in a merger, spin off, acquisition or transfer of shares.
  - (iii) Engagement in the trading of derivative instruments with losses exceeding the upper limit for aggregate or individual contracts as stipulated in the Procedures.
  - (iv) Other than the three preceding subparagraphs, any trading of assets, disposals of financial institutions' claims or engagement in investment in China with trading amount exceeding 20 percent of the Company's paid-in capital or NT\$ 300,000,000. The following situations are exceptions:
    - A. Purchase or sale of domestic government bonds or overseas government bonds with credit ratings equal to or above the sovereign rating of Taiwan. .
    - B. If the Company specializes in investment, the purchase or sale of marketable securities in securities exchanges or OTC markets.
    - C. Purchase or sale of bonds with repurchase or resale agreements.
    - D. Acquisition or disposal of operating equipment or right-of-use assets thereof from or to a non-related party with trading amount less than NT\$ 500,000,000.
    - E. For companies in the construction business, the real estate or right-of-use assets thereof acquired or disposed of for construction use from or to a non-related party with trading

amount less than NT\$ 500,000,000.

- F. Real estate acquired by means of contracting others to construct on the Company's own land, contracting others to construct on rented land, distributing housing units in a joint construction project, distributing profit in a joint construction project or selling of housing units separately in a joint construction project from non-related parties with expected investment less than NT\$ 500,000,000.

(v) The trading amount in the preceding Subparagraph 4 shall be calculated by the following methods, (The said "within one year" means one year calculated retrospectively from the trading date, which is considered as the base date. The part which has been publicly announced in accordance with requirements shall not be included):

- A. Every transaction amount.
- B. The accumulative amount of acquisition or disposal of subject matters of the same category from the same counterparty within one year.
- C. The accumulative amount of acquisition or disposal of real estate or right-of-assets thereof of the same development project within one year (the acquisition and disposal amounts shall be accumulated separately).
- D. The accumulative amount of acquisition or disposal of the same securities within one year (the acquisition and disposal amounts shall be accumulated separately).

(2) Deadline for public announcement and declaration

If the Company's acquisition or disposal of assets meets criteria in Paragraph 1 of this article, "Items to be announced and declared", and the trading amount meets the criteria for public announcement and declaration, the Company shall announce and declare it within two days from the date of the occurrence (the date of occurrence being the first day).

(3) Procedures for public announcement and declaration

- (i) The Company shall announce and declare related information on the website designated by the competent securities authority.
- (ii) The Company shall update the status of derivative trading of the Company and its non-domestic, publicly listed subsidiaries as of the end of previous month in the prescribed format at the information declaration website designated by the competent securities authority by the tenth of each month.
- (iii) If the Company has to amend errors or omissions in items announced, the Company shall announce and declare all items again within two days from the date when it becomes aware of the mistake (the date of occurrence being the first day).

- (iv) Regarding the Company's acquisition or disposal of assets, the Company shall keep related contracts, minutes, memorandum books, appraisal reports and opinions of CPAs, lawyers or securities underwriters available at its office. Unless otherwise provided in other laws, these documents shall be retained for five years at least.
- (v) After the Company announces and declares trading in accordance with the preceding Article, the Company shall, under any of the following circumstances, announce and declare related information on the website designated by the competent securities authority within two days from the date of the occurrence (the date of occurrence being the first day).
  - A. The contract signed in relation to the original trading is changed, terminated or cancelled.
  - B. The merger, spin off, acquisition or transfer of shares fails to be completed as scheduled.
  - C. The original announcement and declaration have been changed.

Article 15: The Company's subsidiaries shall take actions in accordance with the following provisions:

- (1) The subsidiary shall also establish the "Procedures for Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies". After being approved by the Board of Directors of the subsidiary, it shall be reported to the shareholders' meeting of the subsidiary. The same applies to amendments.
- (2) Acquisition or disposal of assets by subsidiaries shall be in compliance with "Procedures for Acquisition or Disposal of Assets".
- (3) Where the subsidiary is a non-publicly listed company and its asset acquisition or disposal meets the standards for announcement and declaration as stipulated the preceding Article, the Company (parent company) shall make public announcement and declaration on behalf of the subsidiary.
- (4) In the preceding subparagraph where subsidiary's standards for the announcement and declaration as subject to the preceding Article, the criteria concerning paid-in capital of total assets are based on the paid-in capital or total assets of the Company (parent company).

Article 16: Penalties

Any employee of the Company who undertakes asset acquisitions and disposals and violates these procedures shall be penalized depending on the severity of the case in accordance with the Rules of Rewards and Punishments for employees.

Article 17: Implementation and amendment

The Company has established an audit committee pursuant to relevant laws

and regulations. The adoption of Procedures or amendments thereof shall be approved by the majority of all audit committee members and submitted to the Board of Directors for resolutions.

The Procedures may come into force upon the consent of two-thirds of the total number of directors if the majority of audit committee members does not approve. In such a case, the resolutions of the audit committee shall be recorded in the minutes of the Board of Directors' meeting.

The terms "All audit committee members" in Paragraph 2 and "total number of directors" in the preceding paragraph refer to ones that are currently holding those positions.

If any director expresses objections on the recorded or in writing, the Company shall submit such director's objection to the audit committee. When the Company reports the Procedures to the Board of Directors, it shall fully consider each independent director's opinions and include his/her comments and reasons for consent or objection in the meeting minutes.

#### Article 18: Additional provisions

Any other matter not set forth in the Procedures shall be handled in accordance with related laws and regulations.

The Procedures was established on April 15, 2000.

The first amendment was made on March 7, 2003.

The second amendment was made on May 9, 2007.

The third amendment was made on June 3, 2008.

The fourth amendment was made on June 18, 2010. The fifth amendment was made on August 30, 2010. The sixth amendment was made on June 9, 2011.

The seventh amendment was made on June 13, 2012. The eighth amendment was made on June 17, 2013. The ninth amendment was made on May 26, 2017.

The tenth amendment was made on May 29, 2019.

The eleventh amendment was made on May 26, 2022.

The twelfth amendment was made on May 30, 2023.