

# Primax Electronics Ltd.

## Procedures for Acquisition or Disposal of Assets

### Section One – General Provisions

#### I. Purpose and Legal Source:

The standard operating procedures are adopted in accordance with the governing body's "Regulations governing the Acquisition and Disposal of Assets by Public Companies" for the purpose of enforcing asset management and the transparency of information, and shall apply to all company operations.

#### II. Applicability of "Assets":

- i. 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.
- ii. Real property and equipment.
- iii. Memberships.
- iv. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- v. Derivatives: Refers to Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- vi. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with the 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 the transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter referred to as "transfer of shares") under Article 156-3 of the Company Act.
- vii. Right-of-use assets.
- viii. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- ix. Other major assets.

### III. Evaluation Procedures:

Upon the acquisition or disposal of negotiable securities or the trading of derivatives, the finance department shall first analyze the interests and evaluate possible risks; upon the acquisition or disposal of real property, equipment and right-of-use asset, capital expenditure plans shall be drafted by respective departments in advance, providing feasibility assessment on the purpose of the acquisition or the disposal and the expected effects; upon related party transactions, evaluation on the reasonableness of terms and conditions of the transaction shall be carried out in accordance with Segment 3 of Section 2 of this standard operation procedure; upon the trading of derivatives, the status on futures market transactions, interest rates and foreign exchange rates shall be taken into account for consideration; upon mergers, demergers, acquisition or transfer of shares, the nature of the business, net value per share, value of asset, techniques and profitability, capacity and future growth potential, etc. shall be taken into account for consideration.

### **Section Two – Disposition Procedures**

#### Segment One – Establishment of Disposition Procedures

IV. The establishment of the procedures shall be executed after the approval of the shareholders upon approval and submission by the board of directors. Regarding the amendment of procedures, after the procedures have been approved of by over half of all members of the Audit Committee, they shall be submitted to the board of directors and reported to the shareholders' meeting for approval. If approval of more than half of all Audit Committee members as aforementioned is not obtained, the procedures may be implemented if they are approved of by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes. The aforementioned Audit Committee members and board of directions apply to those in office. If any director objects to or expresses reservations about the operating procedures, the dissenting opinion should be taken into full consideration, and it shall be recorded in the minutes of the board of directors meeting.

V. After the board of directors have approved of the procedures for the acquisition and disposal of assets, it shall obtain the approval from over half of the Audit Committee members and then submitted to the board of directions for deliberation. If approval from over half of the Audit Committee members as aforementioned is not acquired, the procedures may only be implemented if they are approved of by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes. The aforementioned Audit Committee members and board of directions apply to those in office. For

the acquisition or disposal of assets that require the approval of the board of directors per company operating procedures or relevant regulations, all opinions of the directors should be taken into full consideration, with dissenting opinions recorded in the minutes of the board of directors meeting.

#### Segment Two – Acquisition or Disposal of Assets

#### VI. Evaluation Procedures on Acquisition or Disposal of Assets, Equipment or Right-of-Use Assets

In acquiring or disposing of real property, equipment or right-of-use assets 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 for business use or its right-of-use assets, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- i. Where due to special circumstances it is necessary to 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, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- ii. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- iii. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- iv. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

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.

In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

VII. When acquiring or disposing securities the company 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, and if the dollar 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. 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 (hereinafter referred to as "FSC").

II. Where the company acquires or disposes of intangible assets or its right-of-use assets, or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with (ii) of article XXIX herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained need not be counted toward the transaction amount.

IX. 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 the certified public accountant's opinion.

X. Aside from professional appraisal and opinions from certified public accountants and field experts, for the calculation of the price of the acquired or disposed asset and the basis for reference, the following procedures shall apply to the specific situations accordingly:

i. Acquired or disposed securities at the centralized market or via over-the-counter

trading shall be determined by the prices of shares or bonds at the time of the event.

- ii. For securities acquired or disposed at the centralized market or via over-the-counter trading, the net value per share, techniques and profitability, future growth potential, market rate, bonds and coupon rates, the debtor's credit rating, etc. along with the strike price at the time of the event shall be taken into account for consideration.
- iii. For acquired or disposed memberships, the potential profits and the concluding price shall be taken into account for consideration; for acquired or disposed patents, copyrights, trademarks, franchise rights, and other intangible assets, the international or market practices, serviceable time period, the impact on company techniques and business sales shall be taken into account for consideration.
- iv. For acquired or disposed real property, equipment or right-of-use assets, the current value, assessed value, actual selling price or book value of neighboring real property, and vendors' price quotes shall be taken into account for consideration. If real property is purchased from a related party, the calculation of the price should follow the regulations stated in segment 3 of section 2 of the standard operating procedures to assess the reasonableness of the transaction price.
- v. For the trading of derivatives the company's business needs and the relevant items' trade status shall be taken into account for consideration. Trend analysis on future stocks, foreign exchange rates and interest rates from financial institutions and securities firms of good credibility shall also be referred to. The combination of the above data shall determine the appropriate timing, merchandise and concluding price.
- vi. For mergers, demergers, acquisitions or transfer of shares, the nature of the business, net value per share, value of asset, techniques and profitability, capacity and potential future growth shall be taken into account for consideration.

#### XI. Operating Procedures:

##### i. Degree/Level of Authority Delegated

The "Decree of Authority Chart for Acquisition and Disposal of Assets" approved by the board of directors shall apply. For investments in Mainland China regions, the "Permit for Investment or Technical Collaboration in Mainland China Regions" of the Investment Commission in Taiwan (hereinafter referred to as "MOEAIC") shall apply.

##### ii. Units Responsible for Implementation and Transaction Process

Investments in securities shall be handled by the Finance Department or other authorized investment-related units in accordance with the Company's investment-related operating procedures approved by the Board of Directors; the implementing unit for real property and other assets is the department of the application and competent units. Upon regulated appraisal and approval of the acquisition or disposal of assets, the implementing unit shall proceed with the process of contract initiation, payments, consignment, inspection and acceptance, etc. and perform control management according to the nature of the asset and the relevant regulations.

## XII. Investment Amounts and Limits

The company and subsidiaries may invest on assets for the uses of business operations and also real property, equipment, its right-of use assets and securities for uses other than business operations, the amounts and limits are as stated below:

- i. For non-business use operations, the aggregated amount of initially invested real property, equipment, its right-of-use assets, and marketable securities of financial assets classified as fair value through profit and loss, shall not exceed 20 percent of the shareholders' equity according to the most recent fiscal financial statement. Initially invested amount of a single company on marketable securities categorized as a financial asset classified as fair value through profit and loss shall not exceed 5 percent of the shareholders' equity aforementioned. Initially invested amount of the purchase of money market funds shall not exceed 50 percent of shareholders' equity as aforementioned. This policy also applies to the company's subsidiaries. If a subsidiary's invested amount exceeds the limit, it can be excluded from this policy following the company's board of directors' approval and subsequent ratification of the approval.
- ii. The aggregated amount of initially invested securities by the company shall not exceed 150 percent of the shareholders' equity according to the most recent fiscal financial statement certified by the public accountant. However, the initially invested amount of joint venture for a single company on a financial asset not classified as fair value through profit and loss, is limited to 80 percent of the shareholders' equity aforementioned.

“Regulations Governing the Preparation of Financial Reports by Securities Issuers” shall apply to related parties and subsidiaries.

## Segment Three – Related Party Transactions

### XIII. Basis of Review

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 from the previous segment and the present one 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 certified public accountant's opinion in compliance with the provisions of the preceding segment.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with (ii) of article IIX herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Regulations regarding 10 percent of total assets mentioned herein shall be based on the total assets amount of the company's most recent fiscal financial report that is in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### XIV. Appraisal Procedures

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

- i. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- ii. The reason for choosing the related party as a trading counterparty.
- iii. With respect to the acquisition of real property or right-of-use assets from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with articles XV and XVI.
- iv. The date and price at which the related party originally acquired the real property, the original trading counterparty, and the trading counterparty's relationship to the company and the related party.
- v. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.

- vi. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.
- vii. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between a the company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

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.

When a matter is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Article I of this procedure shall be recognized by the Audit Committee, and it shall first be approved by more than half of all Audit Committee members and then submitted to the board of directors for a resolution. If approval by more than half of all Audit Committee members is not acquired, it shall be approved of by more than two-thirds of the board of directors, and the resolution of the Audit Committee shall be recorded in the board of directors meeting minutes.

Where the Company or any subsidiary of the Company that is not itself a public company in Taiwan is engaged in any transactions referred to in Paragraph 1 and the transaction amount is equivalent to 10% or more of the Company's total assets, the Company shall submit the information referred to in Paragraph 1 to a shareholders' meeting for approval and then may be allowed to execute the contract and make the payment, unless the transaction refers to that between the Company and its parent company/subsidiary or between its subsidiaries.

The calculation of the transaction amounts referred to in Paragraph 1 and the preceding paragraph shall be done in accordance with Paragraph 2 of Article 29 herein and within the preceding year as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the shareholders' meeting, Audit Committee and Board of Directors for

approval need not be counted toward the transaction amount.

**XV. Evaluation of the Reasonableness of the Transaction Costs:**

When the company acquires real property or right-of-use assets from a related party, it shall evaluate the reasonableness of the transaction costs by the following means along with the review and opinions of a certified public accountant, provided that the real property or right-of-use assets was not acquired via inheritance or as a gift, or that 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 to the signing date for the current transaction, or the real property was 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, or the real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, where article XIV shall apply.

- 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 trading counterparties.
- iii. Where land and structures thereupon are combined as a single property purchased or rented 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 two preceding paragraphs.

**XVI.** When the results of the company's appraisal conducted in accordance with the preceding article are uniformly lower than the transaction price, the matter shall be handled in compliance with article XVII. 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 certified public accountant 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:
  1. Where undeveloped land is appraised in accordance with the means in the preceding article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  2. 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 purchase or rental practices.
- ii. Where the company acquiring real property or renting real property right-of-use assets from a related party provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

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

XVII. Where the company acquires real property or right-of-use assets from a related party and the results of appraisals conducted in accordance with article XV and XVI are uniformly lower than the transaction price, the following steps shall be taken:

- i. A special reserve shall be set aside in accordance with article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property or right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.

Where the company uses the equity method to account for its investment in another company that is a public company, then the special reserve called for under article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. The special reserve as stated in the preceding paragraph may not be utilized until the company has recognized a loss on decline in market value of the assets it purchased or rented 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.

- ii. All members of the Audit Committee shall comply with Article 218 of the Company Act.
- iii. Actions taken pursuant to subparagraph 1 and subparagraph 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
- iv. When obtaining real property or right-of-use assets thereof from a related party, it shall also comply with subparagraph 1 and subparagraph 2 if there is other evidence indicating that the acquisition was not an arms length transaction.

#### Segment Four – Engaging in Derivatives Trading

##### XIIX. Trading Principles and Strategies

- i. Types of derivatives: Forward contracts, options contracts, interest and exchange swaps, future contracts, leverage contracts and compound contracts combining the above products, or hybrid contracts or structured products containing embedded derivatives. Any other products must be approved of for trading by the board of directors.
- ii. Operating or Hedging Strategies: The trading of derivatives within the company is categorized into hedge trades and non-hedge trades (as in for the purposes of trade). The strategies shall aim at operational risk aversion with the trading products chosen to avert the risks of foreign exchange earnings, expenditures, assets, debts, etc. that may arise from company businesses. If non-hedge trading of derivatives is chosen at the appropriate time due to objective changes to circumstances, it should increase the company's non-business income or lower non-business losses. Moreover, financial institutions that do business with the company shall be prioritized as the counterparty of the transaction to avoid the occurrence of credit risks. To establish the basis for accounting, the transaction must be determined in advance as either a hedge trade or a financial operation and transaction with investment and profit objectives.

iii. Ceilings on the Transaction Amount:

1. Hedge Trades: Not exceeding the company's total foreign currency assets and debts positions (including the total assets and foreign currency debts positions forecasted for the succeeding six months).
2. Non-Hedge Trades: The "Decree of Authority Chart for Acquisition and Disposal of Assets" approved by the board of directions shall apply. Prior to the execution of the transaction, the trader shall submit a foreign exchange analysis report detailing the analysis of foreign exchange market trends and suggested operating procedures for approval.

iv. Maximum Loss Limit on Total Trading and for Individual Contracts

1. Hedge Trades: Hedge trades shall be performed based on the company's actual hedging needs. If any of the following situations occur, a countermeasure plan shall be immediately submitted to the finance department's director and the chairman for resolution.
  - (1) Unexpired individual contracts: Appraised amount of losses exceeds 20 percent or more of said contract's amount.
  - (2) Total unexpired contracts: Appraised amount of losses exceeds 10 percent or more of the aggregated amount of all contracts.
2. Non-Hedge Trades: The stop loss limit shall be set up following the establishment of the position to prevent the excess of loss, with the stop loss limit not exceeding 35 percent of the transaction contract amount and the amount of the fiscal year's aggregated losses not exceeding US\$300 million.

v. Segregation of Duties

1. Trader: The executor of the derivatives trading shall be appointed by the chairman, responsibilities of whom including the establishment of trading strategies within the limits of delegated authority, the execution of transaction instructions, revealing future trading risks, and providing instant updates to relevant departments for reference.
2. Accounting unit: Credit and record transaction data in accordance with relevant regulations, regularly execute fair market price appraisal on all positions and provide such information to the transaction exclusive personnel, reveal relevant data on derivatives in financial statements, and regularly perform announce and report items.
3. Finance unit: Confirm transactions and execute regular fair market price appraisal on all derivatives trading positions, handle settlements of the trading of derivatives.
4. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

vi. Essentials of Performance Evaluation

1. Hedge Trades: Execute performance evaluation no less frequently than twice a month on the profits and losses based on book value of foreign exchange (interest) rates and financial derivative transactions, and report evaluation results to company executives for reference.
2. Non-Hedge Trades: Execute performance evaluation no less frequently than weekly on actual profits and losses and report evaluation results to company executives for reference.

XIX. Risk Management Measures

Upon the trading of derivatives, the company shall implement risk management measures and with limits of risk management according to the following:

- i. Credit risks: Selection of the trading counterparty shall prioritize companies with good reputation and financial institutions and commission merchants that can offer professional information.
- ii. Market risks: Changeable losses due to the future market price fluctuation for derivatives, the company must strictly abide by the stop loss limit set up following the establishment of the position.
- iii. Liquidity risks: To ensure the liquidity of derivatives, the trading body must have sufficient equipment, information, trading capacity, and be able to trade in any market.
- iv. Operational risks: The delegation of authority and operational procedures must be strictly abided by to avoid operational risks.
- v. Legal risks: Any contracts signed with financial institutions shall strive for compliance with international standards of documents to avoid legal risks.
- vi. Product risks: The internal trader shall have complete and accurate professional knowledge of the derivatives for trading to avoid losses caused by the misuse of derivatives.
- vii. Cash settlement risks: The delegated trader shall fully abide by the policies of the level of delegated authority and take heed of company cash flow to ensure there is sufficient cash available for cash settlements.
- viii. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- ix. The accounting unit shall regularly execute reconciliation or confirmation with the bank with which the company does business and constantly certify that the aggregated amount of transactions does not exceed the limits regulated in the standard operating procedures.
- x. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph (viii) and

shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.

- xi. 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.

#### XX. 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 senior management personnel appointed by the chairman and the board of directors shall be immediately reported to and the Audit Committee shall be notified in writing.

Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the Audit Committee under the preceding paragraph, written notice shall also be given to the independent directors.

#### XXI. Regular Evaluation Methods and Handling of Irregular Circumstances:

- i. Monthly or weekly assessment of derivatives trading shall be performed and the profit-loss situations and open interest positions of non-hedge trades shall be reported to the chairman and the senior management personnel appointed by the board of directors for reference during performance evaluation management and risk assessment.
- ii. The company's board of directors shall faithfully supervise and manage derivatives trading. It shall also 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.
- iii. 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 FSC's "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and these regulations and the procedures for engaging in derivatives trading formulated by the company.
  - 2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a

report immediately made to the board of directors.

(Where the company already has independent directors, an independent director shall be present at the meeting and express an opinion.)

- iv. 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, monthly or weekly evaluation reports, and regular assessments performed by the senior management personnel delegated by the chairman and the board of directors shall be recorded in detail in the log book.

The company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with the standard operating procedures.

#### Segment Five – Mergers and Consolidations, Splits, Acquisitions, Transfer of Shares

- XXII. When the company participates in a merger, demerger, acquisition, or transfer of shares, it shall do so after the approval of the shareholders' meeting, 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. Also, the transfer of shares shall be approved of by the board of directors prior to its execution.
- XXIII. 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 certified public account, 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, when the company participates in a merger of any subsidiary of which it owns 100 percent direct or indirect issued stocks or capital sum, or when the company participates in a merger of its subsidiaries of which the company owns 100 percent direct or indirect issued stocks or capital sum, it needs not obtain the opinion from the aforementioned experts on the reasonableness of such an event.
- XXIV. When the company participates in a merger, demerger, acquisition, or transfer of shares it shall prepare a public report to the 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 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 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.

XXV. When the company participates in a merger, demerger, or acquisition it 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. When participating in the transfer of shares, unless another act provides otherwise or the governing body is notified in advance of extraordinary circumstances and grants consent, the company shall convene a board of directors meetings on the day of the transaction.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on the exchange or has its shares traded on the over-the-counter market shall prepare a full written record of the following information and retain it for 5 years for reference:

- i. 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.
- ii. 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.
- iii. 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.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the company that is listed on an exchange or has its shares traded on an over-the-counter market shall, within 2 days commencing immediately 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 (i) and (ii) of the preceding paragraph to the governing body for recordation.

Where the company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an over-the-counter market, the company so listed or traded shall sign an

agreement with such company whereby the latter is required to abide by the provisions of the preceding paragraphs.

#### XXVI. Share Exchange Ratio and Acquisition Price:

When participating in a merger, demerger, acquisition, or transfer of shares, the share exchange ratio or acquisition price may not arbitrarily alter unless under the below-listed circumstances:

- i. 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.
- ii. An action, such as a disposal of major assets, that affects the company's financial operations.
- iii. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- iv. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- v. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- vi. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

#### XXVII. Items to be Recorded in Contracts

The contract for participation by the company in a merger, demerger, acquisition, or of shares shall record the rights and obligations, the share exchange ratio and acquisition price of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

- i. Handling of breach of contract.
- ii. 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.
- iii. 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.
- iv. The manner of handling changes in the number of participating entities or companies.
- v. Preliminary progress schedule for plan execution, and anticipated completion date.
- vi. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.

XXIIX. Additional Provisions for the Company's Mergers, Demergers, Acquisitions, or Transfer of Shares:

- i. Companies participating in the merger, demerger acquisition, or share transfer intends shall issue a confidentiality undertaking in written form and they shall not disclose any information prior to public disclosure of the information, nor shall they purchase or sell any stocks or equity-based securities of all related companies of the transaction under individual name or using other individuals' names.
- ii. 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.
- iii. 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 article XXV, (i) and (ii) of the preceding article.

**Section Three – Public Disclosure of Information**

XXIX. Announce and Report Procedures:

- i. Under any of the following circumstances, upon acquiring or disposing of assets the company shall publicly announce and report the relevant information on the governing body's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:
  1. Acquisition or disposal of real property or right-of-use assets from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets 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 repurchase of money market 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 (iv) of article XIIX of the standard operating procedures.
  4. Where the type of asset acquired or disposed is equipment/machinery for business use or right-of-use assets, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
  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 is less than NT\$500 million.
  6. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China region reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
    - (1) Trading of domestic government bonds or foreign government bonds with the credit rating no lower than Taiwan's sovereign rating.
    - (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
- ii. The amount of transactions above 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 trading counterparty within the preceding year.
  3. The cumulative transaction amount of real property or right-of-use asset acquisitions and disposals (cumulative acquisitions and disposals, respectively) 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.
- iii. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these regulations need not be counted toward the transaction amount.
- iv. The company shall compile monthly reports on the status of derivatives trading

engaged in up to the end of the preceding month by itself 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 governing body by the 10th day of each month.

- v. 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 2 days of the date of notice of such amendments to content.
- vi. 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 governing body within 2 days commencing immediately from the date of occurrence of the event:
  - 1. Change, termination or rescission of a contract signed in regard to the original transaction.
  - 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - 3. Change to the originally publicly announced and reported information.

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 dates 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.

XXX. When acquiring or disposing assets the company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and certified public account, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

#### **Section Four – Additional Provisions**

XXXI. Control of Acquisition or Disposal of Assets by Subsidiaries

- i. The company's subsidiaries shall also establish and execute "Procedures for Acquisition or Disposal of Assets" in accordance with regulations of the governing body, obtain approval from the board of directors. This also applies to amendments of the standard operating procedures.
- ii. Assets acquired or disposed by subsidiaries shall be conducted in accordance with the separate "Control System" and "Procedures for Acquisition or Disposal of Assets". The company shall compile monthly reports on the status

of individual or accumulated acquired or disposed assets trading or transactions of similar nature reaching NT\$10 million or more of the preceding month and the status of derivatives trading up to the end of the previous month, and report to the company in written form on the 5th day of each month. The company's auditors shall list subsidiaries' acquired or disposed asset matters as monthly auditing items and the status of the audit shall be reported to the Audit Committee and the board of directors.

- iii. The company shall announce and report on behalf of any subsidiary thereof that is not a public company if its acquired or disposed assets reach the standards of announce and report as stated in article IXXX prior to the occurrence of the fact, and the company shall announce and report pursuant to regulations at the designated website. The paid-in capital or total assets of the subsidiary shall be the standard for determining whether or not the subsidiary is subject to regulations requiring a public announcement and regulatory filing in the event the type of transaction specified therein of the total assets.

#### XXXII. Penal Provisions:

Upon the violation of the Securities and Futures Bureau's "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" by the relevant representing agent of the company's acquired or disposed assets, penalties shall be imposed according to the condition of violation as regulated by the following, with the violation included in the year's individual performance evaluation:

- i. Violation of appraisal authorization: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.
- ii. Violation of review procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings and they shall be required to participate in the company's internal control training session. Repeated violators or gross violators shall be relocated.
- iii. Violation of announce and report procedures: First-time violators shall receive verbal counsel. Second-time violators shall receive written warnings. Repeated violators or gross violators shall be relocated.
- iv. Penalties shall be imposed to and accepted by the supervisor of the violator provided that said supervisor fails to provide a reasonable explanation detailing that precautions were made.
- v. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of relevant regulations or the resolutions of the shareholders' meeting, the Audit

Committee shall, in accordance with the rules of Article 218-2 of the Company Act, by a notice, ask the board of directors or the director, as the case may be, to cease such act.

XXXIII. Regarding appraisal reports obtained for the company or opinions from public lawyers, or accountants, or securities underwriters, said appraiser, lawyer, accountant, or securities underwrite must not be related to the parties involved in the transaction and shall comply with article V of the provisions of public enterprises acquiring or disposing of assets.

XXXIV. This corporate document was created on 2008/11/7.

First-time amendments were made on 2009/6/4.

Second-time amendments were made on 2012/6/19.

Third-time amendments were made on 2013/6/25.

Fourth-time amendments were made on 2014/6/24.

Fifth-time amendments were made on 2015/6/29.

Sixth-time amendments were made on 2018/10/25.

Seventh-time amendments were made on 2019/06/18.

Eighth-time amendments were made on 2022/05/26.

Ninth-time amendments were made on 2026/05/29.