

# **CHC Resources Corporation**

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

Established on June 10, 2003  
The 7th amendment was made on June 23, 2022

### Chapter 1 General

- Article 1 These Procedures are established according to the requirements under Paragraph 1, Article 6 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (the "Regulations") promulgated by the Financial Supervisory Commission (the "FSC").
- Article 2 The term "assets" as used in these Procedures includes the following:
1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
  2. Property (including land, houses and buildings, and investment property) and equipment.
  3. Memberships.
  4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
  5. Right-of-use assets.
  6. Derivatives.
  7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
  8. Other major assets.
- Article 3 Terms used in these Procedures are defined as follows:
1. Right-of-use assets: Refers to assets that represent a lessee's right to use an underlying asset for the lease term in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
  2. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables, 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.
  3. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act

or other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (the "transfer of shares") under Article 156-3 of the Company Act.

4. Related party or subsidiary: As defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
5. Professional appraiser: Refers to a property appraiser or other parties duly authorized by an act of law to engage in the value appraisal of property or equipment.
6. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of resolutions of the meeting of the Board of Directors, or other dates that can confirm the counterparty 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.
7. Mainland area investment: Refers to investments in Mainland China approved by the Investment Commission, Ministry of Economic Affairs, R. O. C., or conducted in accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area."
8. Securities exchange: Domestic securities exchange refers to the Taiwan Stock Exchange Corporation; foreign securities exchange refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
9. Over-the-counter venue (the "OTC venue" or "OTC"): Domestic OTC venue refers to a venue for OTC trading provided by a securities firm in accordance with the "Regulations Governing Securities Trading on the Taipei Exchange"; foreign OTC venue refers to a venue at a financial institution that is regulated by the foreign competent authority, and that is permitted to conduct securities business.
10. Within one year: Refers to one year preceding the date of acquisition or disposal of the assets or the date of occurrence of the transaction.
11. Transaction amount: Refers to the amount calculated according to any of the methods set out below: where requirements under the Procedures are observed when calculating whether to obtain an appraisal report, CPA's opinions, or submit the threshold of transaction amount passed by the Shareholders' Meeting、the Board of Directors, such amount shall be excluded; where requirements under the Procedures are observed when calculating whether to publicly announce the threshold of the transaction amount, such amount shall be excluded:
  - (1) The amount of each individual transaction.
  - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the

preceding year.

(3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of property or right-of-use assets thereof within the same development project within the preceding year.

(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

12. All Audit Committee members: Refers to the actual number of persons currently serving in the Audit Committee.

13. All Directors: Refers to the actual number of persons currently serving as Directors.

#### Article 4

Professional appraisers and their officers, CPAs, attorneys, or securities underwriters who provide the Company with appraisal reports, CPA's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for one year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or fraud, breach of trust, embezzlement, forgery of documents or occupational crime. However, this provision does not apply when three years have already passed since the completion of service of the sentence, the expiration of the period of a suspended sentence, or a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. Where the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

The foregoing officers shall, in issuing appraisal reports or opinions, comply with the self-regulatory rules of their respective trade associations and the following matters:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When executing a case, they shall appropriately plan and execute adequate working procedures, in order to formulate a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and the conclusion shall be fully and accurately specified in the working papers of the case.
3. They shall assess the integrity, correctness and reasonableness of the data sources, parameters and information used on a case-by-case basis as the basis for issuing appraisal reports or written opinions.
4. The declaration shall include the professionalism and independence of the relevant personnel, the assessment of the correctness and reasonableness of the information used and the compliance with the relevant laws and regulations.

Article 4-1 With respect to the acquisition or disposal of assets that are subject to the approval of the Board of Directors under these Procedures or other laws or regulations, approval by more than half of all Audit Committee members shall be obtained in advance. Where a Director expresses dissent (including written statement), it shall be contained in the minutes, and the minutes shall be submitted to the Audit Committee.

Where approval by more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented when approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting.

## Chapter 2 Procedures

### Section 1 Acquisition or Disposal of Assets

Article 5 Except for otherwise provided in the Chapter, the appraisal procedures for the acquisition or disposal of assets for the Company shall comply with the "Procedures for Acquisition and Payment Cycle" and "Procedures for Investment Cycle" established according to the internal control system.

Article 6 The Company's acquisition or disposal of assets shall be approved by the levels of authority according to the following provisions which are implemented by the first echelon units in charge, subject to the nature of assets in accordance with respective control operations of the relevant trading cycles in the internal control system, unless such control operations are provided otherwise by these Procedures:

1. Investments in current and non-current financial instruments:
  - (1) Investment and disposals of its equity for operation purposes shall be approved by the Board of Directors.
  - (2) The departments in charge are fully authorized for the handling of low-risk investments such as government bonds, corporate bonds, financial bonds, domestic and foreign currency funds, transferable time deposit certificates, short-term commercial promissory notes, and bank acceptance bills acquired or disposed of for financial operation purposes.
  - (3) Investment in other financial instruments with each entry or a cumulative transaction amount within one year amounted to NT\$50 million or above shall be approved by the Board of Directors. The departments in charge are fully authorized to handle those less than NT\$50 million, which shall subsequently be reported at the next Board meeting.
2. Property and equipment
  - (1) Acquisition: Except for otherwise provided in Subparagraph 1, Paragraph 1, Article 8 and Article 13, any acquisition shall be subject to requirements related to utilization or appropriation under the "Guidelines for Capital

Expenditure Budget."

- (2) Disposal: Except for otherwise provided in Subparagraph 1, Paragraph 1, Article 8 and Article 13, any disposal shall be subject to requirements related to disposals under the "Regulations for the Management of Property, Plant, and Equipment and Right-of-use Assets."
3. Right-of-use assets:
  - (1) Acquisition: Right-of-use assets acquired by the Company due to the addition of lease contracts or amendments to lease contracts, and the increase in the scope of lease according to the addition of one or more right-of-use assets as stated in the International Financial Reporting Standards (IFRS), where the consideration increased by the lease is equivalent to the single price of the scope of the lease, shall be subject to the requirements of Section 1 and Section 2 of this Chapter and Chapter 3. The Accounting Department shall be responsible for the recognition and the appraisal for the transaction amount of right-of-use assets according to the requirements under IFRS.
  - (2) Disposal: Sublease of right-of-use assets by the Company (lessee) to others, where the sublease is classified as a finance lease as required by IFRS, shall be subject to the requirements of Section 1 and Section 2 of this Chapter and Chapter 3. The Accounting Department shall be responsible for the recognition of sublease categories and the appraisal for the transaction amount assets according to the requirements under IFRS.
4. Other assets: Except for otherwise required by the Company Act, the Business Mergers and Acquisition Act, other laws, the Company's Articles of Association, and Section 3 and Section 4 of the Chapter, other assets shall be approved by the President.

#### Article 7

The total investment of the Company and its subsidiaries, total investment in securities, restriction on individual securities, and the total amount of property and its right-of-use assets held for non-business use are provided as follow, respectively:

1. The total investment made by the Company is not subject to the restriction where such investment may not exceed 40% of the Company's paid-up capital under Articles 13 of the Company Act. The total investment in other securities may not exceed 80% of the Company's paid-up capital, and the investment in individual securities may not exceed 40% of the Company's paid-up capital.
2. Except for subsidiaries primarily engaging in investments, the total investment of each subsidiary shall not exceed 40% of the respective subsidiary's paid-up capital. The total investment in other securities may not exceed 80% of the respective subsidiary's paid-up capital, and the investment in individual securities may not exceed 40% of the respective subsidiary's paid-up capital.
3. For subsidiaries primarily engaging in investments, the total investment of each subsidiary shall not

exceed 100% of the respective subsidiary's paid-up capital. The total investment in other securities may not exceed 100% of the respective subsidiary's paid-up capital, and the investment in individual securities may not exceed 100% of the respective subsidiary's paid-up capital.

3. The total amount of property and right-of-use assets thereof acquired by the Company and each subsidiary for non-operating purposes shall not exceed 10% of the respective subsidiary's paid-up capital.

The securities stated in the preceding paragraph exclude the low-risk investments acquired or disposed of for financial operation purposes under Item 2, Subparagraph 1, Article 6.

#### Article 8

In acquiring or disposing of property, equipment, or right-of-use assets thereof where the transaction amount reaches NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also apply whenever there is any subsequent change in the transaction conditions.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA 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 of the transaction amount or above.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent of the transaction amount or above.
4. No more than three 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 six months have elapsed, an opinion may still be issued by the original professional

appraiser.

Apart from the acquisitions and disposals of property, equipment, or its right-of-use assets in the previous paragraph, the first echelon units in charge of real property or its right-of-use assets shall determine the transaction price with reference to the publicly announced current value, appraised value, actual transaction prices of neighboring properties, and rental circumstances. The first echelon units in charge of real property or its right-of-use assets shall determine the transaction price with reference to the transaction prices or rental circumstances of identical or similar assets of the Company or within relevant industries, to provide a reference for the levels of authority in evaluating the transaction price.

Article 9 Where the Company acquires or disposes of securities shall, prior to the date of occurrence, obtain the financial statements of the target company for the most recent period, certified or reviewed by a CPA, for reference in appraising the transaction price. Also, when the transaction amount is NT\$300 million or above, the Company shall additionally engage a CPA prior to the date of occurrence to provide an opinion regarding the reasonableness of the transaction price. However, securities with quoted prices in an active market or covered by other regulations of the FSC are not subject to this restriction. Exceptions in the preceding paragraph refer to the following:

1. Securities acquired by means of cash subscriptions when established by founders or by offering public shares in accordance with the law, where the rights evidenced by the securities exchange are equivalent to the capital contribution ratio.
2. Acquisition of securities issued by the target company based on par value in order to increase cash capital in accordance with the relevant regulations.
3. Acquisition of securities issued by the direct or indirect wholly-owned subsidiary for the purpose of increasing cash capital, or mutual acquisition of securities issued by wholly-owned subsidiaries among these wholly-owned subsidiaries for the purpose of increasing cash capital.
4. Listed, traded, and emerging securities traded in stock exchanges or OTC venues.
5. Domestic government bonds, or bonds with repurchase or resell agreements.
6. Public offered funds.
7. Stocks listed on Taiwan Stock Exchange Corporation (TWSE) or Taipei Exchange (TPEX) acquired or disposed of in accordance with the "Taiwan Stock Exchange Corporation Rules Governing Purchase of Listed Securities by Reverse Auction" or "Taipei Exchange Rules Governing Reverse Auction of TPEX Listed Securities."
8. Participation in subscription to shares issued by domestic public companies for the purpose of increasing cash capital or domestic subscription of corporate bonds (including financial debentures), where the securities are not acquired through private placement.

9. Subscription of domestic funds via private placement before the establishment of the fund in accordance with Paragraph 1, Article 11 of the Securities Investment Trust and Consulting Act or subscription or redemption of domestic private placement funds for which the trust contract specifies an investment strategy with the same investment scope as public offered funds, except for securities credit transaction and unsettled positions held.

10. Other circumstances prescribed by the FSC.

Article 10 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof, or memberships and the transaction amount reaches NT\$300 million or above; except in transactions with a domestic government agency, the Company shall engage a CPA to render an opinion on the reasonableness of the transaction price before the date of occurrence.

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

## Section 2 Related Party Transactions

Article 12 The acquisitions and disposals of assets between the Company and the related party shall be subject to the requirements under the previous Section and this Section, and the reasonableness of the transaction conditions shall be evaluated. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 13 When the Company intends to acquire or dispose of property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than property or right-of-use assets thereof from or to a related party and the transaction amount reaches NT\$300 million or above, except in trading of domestic government bonds or bonds with repurchase and resale conditions, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:

1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
3. With respect to the acquisition of property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15 of the Procedures.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.

5. Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the fund utilization.
  6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article.
  7. Restrictive covenants and other important stipulations associated with the transaction.
- For the following transactions between the Company and its subsidiaries, the Board 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 meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. Acquisition or disposal of property right-of-use assets held for business use.

When the Company or its subsidiaries that are not public companies in Taiwan involve in a transaction mentioned in this paragraph and the transaction amount exceeds 10% of the total capital held by the company, the Company shall report all information specified in this paragraph to the shareholders' meeting for approval, and may only proceed to the signing of contracts or payments only after approval. However, the above shall not be subject to transactions between the Company, its parent company and subsidiaries, or between its subsidiaries.

Article 14 The Company that acquires property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price, the necessary interest in funding, and the costs that are legal to be duly borne by the buyer are calculated. Necessary interest on funding is imputed as the weighted average interest rate on borrowing in the year for purchasing the property from the related party; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. 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 values of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

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

Where the Company acquires property or right-of-use assets thereof from a related party, in addition to evaluating the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs, CPAs must also be engaged to audit such a cost and to express their specific opinions.

Where one of the following conditions is true, the preceding three paragraphs shall not apply:

1. The related party acquired the property or right-of-use assets thereof through inheritance or as a gift.
2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The property is acquired through the 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.
4. Where the right-of-use assets of property are acquired from the parent company or subsidiaries for business use.

Article 15 When the results of the Company's appraisal conducted in accordance with Paragraph 1 and Paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 15. However, where the following circumstances exist, objective evidence has been submitted, and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquires 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 three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in-floor or area land prices in accordance with standard property market sale or leasing practices.
2. Where the Company acquires property or obtains right-of-use assets of real property

through leasing from a related party and 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 similar size by unrelated parties within the one year.

Completed transactions for neighboring or closely valued parcels of land in the preceding Paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction.

Article 16 Where the Company acquires property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two Articles are uniformly lower than the transaction price, the following steps shall be taken:

1. A special surplus reserve shall be set aside in accordance with paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property or right-of-use assets thereof, and may not be distributed or used for capital increase or issuance of bonus shares.
2. Independent Directors shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and investment prospectus.

The Company that has set aside a special surplus reserve under the preceding paragraph may not utilize the special reserve until the premium assets have recognized a loss for market price decline, been disposed of, had adequate compensation, returned to the status quo, or contained evidence that nothing unreasonable regarding the transaction along with permission from the FSC.

When the Company obtains property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

### Section 3 Engaging in Derivatives Trading

Article 17 The reading principles for the Company in engaging derivatives transactions and risk management measures and audit control matters to be adopted are as follow:

1. Transaction Principles and Guidelines:
  - (1) Operating and hedging strategies: The Company engages in derivative transactions for non-business purposes and bases on risk hedging principles. Relevant departments shall duly execute and be aware of the risk management according to their authorities and submit evaluation reports regularly.

(2) Type of Transaction: Currently, the Company only engages in hedging transactions such as forward exchange, currency exchange, interest exchange that are in line with the operational demands.

(3) Responsibilities:

Finance Department: The Finance Department is the executive department for the derivative transactions, which shall grasp the overall condition and domestic and foreign financial circumstances at all times, engage in transactions at appropriate timing within the scope of authorization, and control the cash flows of the transacted part to mitigate the delivery risks in the future. The Finance Department shall submit the certificates and relevant information on the transaction engaged to the Accounting Department for account-keeping.

Accounting Department: The Accounting Department shall truthfully keep the account according to the certificates submitted by the Finance Department according to the requirements under the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(4) Performance Evaluation: After the close of account every month, the Accounting Department shall prepare the statistics and deliver the statistics to the President as the references for performance evaluation according to the current profit or loss occurred from the actual settlement of engaging in derivative transition contacts within the month on the account.

(5) Limits on Aggregate Losses or Losses on Individual Contracts:

The total amount of the forward exchange and currency exchange contracts shall be limited to the net collection and payment of exchange occurred due to operation by the Company upon contracting. However, the total amount of the forward exchange and currency exchange contracts contracted for hedging demands such as capital expenditures and investments shall be limited to the total amount of the hedging amounts. The total amount for interest exchange contracts shall be limited to the total long-term liabilities of the Company. For derivative transactions, the total or individual contractual loss limit shall not exceed 20% of the total or individual contract amount.

2. Risk Management Measures:

(1) For the scope of risk management, the following risks shall be considered and avoided appropriately in advance:

Credit Risk: The risks of losses occurred due to the transaction's counterparty failing to perform the contract terms.

Market Risk: The risks of losses occurred due to the market price fluctuation of derivatives in the future.

Liquidity Risk: Risk for the commodity's market depth and the reasonable

realization and settlement for the market price as well as the risk for the completion of capital operations upon the expiry in the future.

**Operational Risk:** Operational risks due to human error, insufficient supervision, fraud, and improper control and management.

**Legal Risk:** Risk of losses incurred due to unspecified contracts, untrue authorization, and different requirements and explanations of laws and regulations.

(2) Personnel engaged in derivatives trading may be taken by officers from the Finance Department, and may not serve concurrently in other operations such as confirmation and settlement. Personnel engaged in derivatives trading shall forward the transaction certificate or contract (the "Contract Note") to personnel in charge of confirmation. After the personnel in charge of confirmation had verified the account with the bank, it shall notify the personnel in charge of settlement and deliver the account to the Accounting Department for accounting. The Accounting Department shall verify the account or confirmation with the banks on an irregular basis.

(3) Degree of authority delegated and the levels to which authority is delegated:  
The degree of authority delegated established according to the conditions of the operations and risks of the Company is as follow:

Delegated Authorization	Single Transaction Amount	Total Amount per Day
Board of Directors	Equivalent to \$1 million or above	Equivalent to \$3 million or above
Chairman	Equivalent to \$1 million (inclusive) or below	Equivalent to \$3 million (inclusive) or below
President	Equivalent to \$0.5 million (inclusive) or below	Equivalent to \$1.5 million (inclusive) or below

Based on the circumstances for the authorization, record in the business report for the administrative departments of the latest Board meeting.

(4) Regular evaluation and anomaly processing

Hedging transactions for business needs shall be evaluated at least two times per month, and the evaluation report shall be submitted to the President.

The President shall regularly evaluate whether the performance of engaging in derivatives trading is in line with the existing operating strategies and whether the risks assumed are within the scope of tolerance, and evaluate whether the risk management procedures being currently adopted are appropriate and whether they are duly performed according to the requirements. The results of regular evaluations shall be recorded in the business report for the administrative departments of the latest Board meeting.

The President shall be aware of and monitor the transactions and profit or loss. Where anomaly of exceeding the loss limit is found in the market value

evaluation report, necessary corresponding measures shall be adopted. The President shall immediately report to the Board meeting; Independent Directors shall attend the Board meeting and express their opinions.

3. Internal Audit:

The 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, all supervisors shall be notified in writing.

Article 18 When engaging in derivatives trading, the Company shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, approval dates, and the matters required to be evaluated under Item 4, Subparagraph 2 of Article 17.

Section 4 Mergers and Consolidations, Demerger, Acquisitions, and Transfer of Shares

Article 19 For mergers, demerger, acquisitions, or transfer of shares, the Company shall engage CPAs, lawyers, or securities underwriters to express their opinions regarding the reasonableness of the share exchange ratio, acquisition price, or cash or other assets allotted to shareholders before convening the Board meeting for resolution and submit the outcomes to the Board of Directors for approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger of a subsidiary in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 20 When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a public report to Shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the Shareholders' Meeting and include it along with the expert opinion referred to in 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 other laws exempts the Company from convening a Shareholders' Meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Article 21 Personnel of the Company participating in or privy to the plan for a merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information, and may not trade, in their own name or under the name of another person, in any stock or other equity-based securities of any company related to the plan for the merger, demerger,

acquisition, or transfer of shares.

Article 21-1 When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:

1. Basic information for personnel: Including the titles, names, and ID numbers (or passport numbers in the case of foreigners) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to the disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the engagement of a financial or legal advisor, the execution of a contract, and the convening of a Board meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board meetings.

The information in subparagraphs 1 and 2 in the previous paragraph shall be submitted to the FSC for future reference within two days after passing the resolution at the Board meeting in a fixed format through the internet information system.

When participating in a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the following circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity-based securities.
2. An action, such as disposal of major assets, that affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects Shareholders' equity or security price of the Company.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares buys back treasury stock according to the law.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 21-3 The contract of the Company participating in a merger, demerger, acquisition, or transfer of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following matters:

1. Handling of breach of contract.
2. Principles for the handling of equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished or demerged in a merger.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculating the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution and the anticipated completion date.
6. Scheduled date for convening the legally mandated Shareholders' Meeting when the plan exceeds the deadline without completion and relevant procedures.

Article 21-4 In addition to the provisions of the Section, the Company's participation in a merger, demerger, acquisition, or share transfer shall also comply with the provisions stated in Paragraph 2 of Article 24, Paragraphs 1, 2, and 5 of Article 25, Article 29, and Article 30 of the Regulations.

#### Chapter 3 Public Disclosure of Information

Article 22 Under any of the following circumstances, when acquiring or disposing of assets, the Company shall publicly announce and report the relevant information on the FSC's designated website in the format as prescribed by the FSC within two days counting inclusively from the date of occurrence:

1. Acquisition or disposal of property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than property or right-of-use assets thereof from or to a related party where the transaction amount reaches NT\$300 million or above. Provided, this shall not apply to trading of domestic government bonds or bonds with repurchase or resale agreements, or subscription or redemption 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 Point 2, Item 5, Subparagraph 1 of Article 17.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or above.
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 the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction

reaches NT\$500 million or above.

6. Where the transaction amount of an asset transaction or an investment in the mainland China area other than any of those referred to in the preceding five subparagraphs reaches NT\$300 million or above. Provided, this shall not apply to the following circumstances:
  - (1) Trading of domestic government bonds.
  - (2) Trading of bonds with repurchase or resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format by the FSC into the information reporting website designated by the FSC by the 10th day of each month. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowledge of such error or omission.

For acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions of the CPA, attorney, and securities underwriter at the Company, where they shall be retained for five years except where other laws provide otherwise.

Article 23 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding Article, a public report of relevant information shall be made on the information reporting website designated by the FSC within two days counting inclusively from the date of occurrence:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

#### Chapter 4 Appendix

Article 24 A domestic public company's subsidiary shall establish and implement their respective "Regulations Governing the Acquisition and Disposal of Assets" according to the Regulations. A subsidiary that is not a domestic public company shall establish and implement their respective "Regulations Governing the Acquisition and Disposal of Assets" according to the Procedures.

- Article 25 For a subsidiary that is not a domestic public company with acquisition or disposal of assets to be publicly announced and reported required in the previous Chapter, the Company shall be responsible for the announcement and report.
- Article 26 Directors and Supervisors of subsidiaries assigned by the Company shall supervise subsidiaries to duly implement their "Regulations Governing the Acquisition and Disposal of Assets."  
Regarding the appropriateness of subsidiaries' "Regulations Governing the Acquisition and Disposal of Assets," a domestic public company's subsidiary shall submit the audit report prepared by its internal audit personnel to the Company; for a subsidiary that is not a domestic public company, the Company may assign its internal audit personnel or instruct the subsidiary to engage external audit personnel to conduct a project audit in due course.
- Article 27 For managers or other practitioners of the Company violating the requirements of the Procedures, punishments shall be imposed based on the severity of the circumstances according to the Company's "Regulations for Rewards and Punishments of Practitioners."
- Article 28 For unaddressed matters in the Procedures, comply with the requirements under the relevant laws and regulations, and the Regulations.
- Article 29 These Procedures, and any amendments hereto, shall be implemented after being approved at the Board meeting and submitted to the Shareholders' Meeting for approval.