



# 晶豪科技股份有限公司

Elite Semiconductor Microelectronics Technology Inc.

## Procedures for Acquisition or Disposal of Assets

Approved at the Annual Shareholders' Meeting on June 15, 2022

### Article 1: Purpose

The Procedures for Acquisition or Disposal of Assets (“the Procedures”) are specially formulated to protect assets and implement information disclosure.

### Article 2: Governing law

The Procedures are formulated in accordance with Article 36-1 of the Securities and Exchange Act and relevant provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

### Article 3: Scope of assets

The term "assets" in the Procedures includes the following items:

- I. Marketable securities: including 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 (including land, houses and buildings, investment property, land use rights, and construction enterprise inventory) and equipment or the right-of-use assets thereof.
- III. Memberships.
- IV. Intangible assets: including patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivatives.
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Other major assets.

### Article 4: Definition of terms

- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, and other acts, or to transfer of shares from another company through issuance of

new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the Company Act.

- III. “Related Party” or “Subsidiary”: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property, equipment or the right-of-use assets thereof.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of BOD resolutions, or other date 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.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5: Limits of the investment of real property and the right-of-use assets thereof, and securities not held for business use

The followings are the limits on the above assets that the Company and its subsidiaries acquire individually:

- I. The total amount of real property and the right-of-use assets thereof acquired not for business use shall not exceed 30% of the equity attributable to owners of the parent company as stated in the latest financial statements of the parent company that have been reviewed or audited and certified by a certified public accountant.
- II. The total amount of investment in short-term and long-term marketable securities shall not exceed the equity attributable to owners of the parent company in the latest financial statements of the parent company that have been reviewed or audited and certified by a certified public accountant.
- III. The total amount of investment in individual marketable securities shall not exceed 30% of the equity attributable to owners of the parent company in the latest financial statements of the parent company that have been reviewed or audited and certified by a certified public accountant.

Article 6: Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.

III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

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

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

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

I. Appraisal and procedures

The Company's acquisition or disposal of real property, equipment or the right-of-use assets thereof shall accord with the fixed assets cycling procedures of the Company's internal control system.

II. Procedures for determining the transaction conditions and authorized amounts

- (I) The Company shall take publicly-announced current value, appraisal value, real transaction price of nearby real property into consideration to determine the transaction conditions and price when acquiring or disposing real property or the right-of-use assets thereof. The above information shall be compiled into an analysis report and submitted to the Chairman of the Board. If the transaction amount equals or is less than NT\$300 million or 20% of the Company's paid-in capital, such transaction shall be submitted to the Chairman of the Board for approval and shall then be reported to the nearest BOD for notification purpose. If the transaction amount is greater than NT\$300 million or 20% of the Company's paid-in capital, such transaction may be conducted only after it has been first approved by the Audit Committee and then by the BOD.
- (II) Acquisition or disposal of real property or equipment, or the right-of-use assets of equipment shall be conducted by means of price inquiry, price comparison, price bargaining, or bidding; where the transaction amount equals or is less than NT\$300 million or 20% of the Company's paid-in capital, such transaction shall be approved through each authorization level; where the transaction amount is greater than NT\$300 million or 20% of the Company's paid-in capital, such transaction may be conducted only after it has obtained approval firstly from the President, then from the Audit Committee, and last from the BOD.

- (III) When submitting the transaction of acquisition or disposal of assets to the BOD for deliberation in accordance with regulations, the opinion of the independent directors shall be fully considered, and their consent and dissent and the reason therefor shall be documented in the meeting minutes.

### III. Execution unit

When the Company acquires or disposes of real property, equipment or the right-of-use assets thereof, the Finance Department, Accounting Department, or related authorized unit shall execute the operation after acquiring approval from corresponding authorization level.

### IV. Appraisal report of real property, equipment or the right-of-use assets thereof

In acquiring or disposing of real property, other fixed assets or the right-of-use assets thereof where the transaction amount reaches NT\$300 million or 20% of the Company's paid-in capital or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of machinery equipment or the right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (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 BOD; the same procedure shall also be followed whenever there is any subsequent change to the 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 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% or more of the transaction amount.
  - 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% 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.
- (V) 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.
- (VI) The appraisal agency and its appraisers who have been consulted shall have no formal or substantive relationship with the parties to the transaction as set out in

## Financial Accounting Standards Bulletin No. 6.

### Article 8: Procedures for acquisition or disposal of marketable securities

#### I. Appraisal and procedures

The Company's acquisition or disposal of marketable securities shall accord with the investment cycling procedure of the Company's internal control system.

#### II. Procedures for determining the transaction conditions and authorized amounts

(I) The acquisition or disposal of marketable securities traded at the securities exchange or on an OTC shall be decided by the responsible unit based on market conditions. For amount equals or is less than NT\$100 million or 20% of the Company's paid-in capital, the transaction shall be approved by the President; for amount above NT\$100 million but equals or less than NT\$300 million, the transaction shall be approved by the Chairman of the Board and notified to the nearest BOD together with an analysis report on the unrealized profit or loss derived from short-term and long-term marketable securities. For amounts exceeding NT\$300 million or 20% of the Company's paid-in capital, the transaction may be conducted only if it has been firstly reported to and approved by the Audit Committee, and then by the BOD.

(II) The acquisition or disposal of marketable securities not traded at the securities exchange or on an OTC shall take into consideration the book value per share, profitability ability, and potential of future development. For amount equals or is less than NT\$100 million or 20% of the Company's paid-in capital, the transaction shall be approved by the President; for amount above NT\$100 million but equals or less than NT\$300 million, the transaction shall be approved by the Chairman of the Board and notified to the nearest BOD together with an analysis report on the unrealized profit or loss derived from short-term and long-term marketable securities; for amounts exceeding NT\$300 million or 20% of the Company's paid-in capital, the transaction may be conducted only if it has been firstly reported to and approved by the Audit Committee, and then by the BOD.

(III) When submitting the transaction of acquisition or disposal of assets to the BOD for deliberation in accordance with regulations, the opinion of the independent directors shall be fully considered, and their consent and dissent and the reason therefor shall be documented in the meeting minutes.

#### III. Execution unit

The Company's investment in marketable securities shall be approved through the corresponding authorization level as stated above, and then shall be implemented by the financial unit and accounting unit.

#### IV. Acquire expert opinion

The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the target 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% 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 securities that have publicly quoted prices in an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

#### Article 9: Procedures for related party transactions

- I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or the opinion of a certified public accountant in compliance with the provisions of this Article, Article 7, Article 8, and Article 10. The calculation of the transaction amount shall be made in accordance with Article 10-1 herein. Furthermore, when judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

- II. Appraisal and procedures

When the Company intends to acquire or dispose of real property or the right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee, and then by the BOD; the portion that has been approved by the Audit Committee and then by the BOD needs not to be counted toward the transaction amount.

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Sub-paragraph (I) and (IV) of Paragraph 3 of this Article.
- (IV) 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 Company's related parties.
- (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 this Article.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

With respect to the acquisition or disposal of real property, equipment or right-of-use assets thereof held for business use between the Company and the parent company or subsidiaries, or between subsidiaries of the Company in which it directly or

indirectly holds 100 percent of the issued shares or authorized capital, the BOD may pursuant to Sub-Paragraph (II) of Paragraph II of Article 7 delegate the Chairman of the Board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next BOD.

In addition, where the position of independent director has been created in accordance with the provisions of the Securities and Exchange Act, when a matter is submitted for discussion by the BOD pursuant to preceding regulations, the BOD 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 BOD.

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 2 of this Article and the transaction amount will reach 10 % or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts in the preceding paragraph shall be made in accordance with paragraph 1 of Article 10 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 approved by the shareholders meeting or BOD and recognized by the supervisors need not be counted toward the transaction amount.

### III. Evaluation of the reasonableness of transaction cost

- (I) When acquiring real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:
  1. 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.
  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 % or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- (II) 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.
- (III) When the Company acquires real property or right-of-use assets thereof from a related party and appraises the costs of the real property or the right-of-use assets thereof in accordance with Subparagraph (I) and (II) of Paragraph III of this Article shall also engage a certified public accountant to check the appraisal and

render a specific opinion.

(IV) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Sub-Paragraph (I) and (II) of Paragraph III of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Sub-Paragraph (V) of Paragraph III of this Article. However, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant, this restriction shall not apply.

1. 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 costs 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) 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.

(3) Completed transactions of leasing by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property or right-of-use assets thereof market leasing practices.

2. Where the Company acquiring real property, or leasing real property right-of-use assets from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Completed transactions involving 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 involving 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; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

(V) Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with



Sub-Paragraph (I) and (II) of Paragraph III of this Article are uniformly lower than the transaction price, the following steps shall be taken. In addition, the Company and the public company that accounts for its investment in the Company using equity method who have set aside a special reserve under the previous paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

1. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in the Company, then the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the public company's equity stake in the Company.
  2. The independent director members of the Audit Committee shall deal with the matter in accordance with Article 218 of the Company Act. (exercise right of investigation).
  3. Actions taken pursuant to the Item 1 and 2 of Sub-Paragraph (V) of Paragraph III of this Article shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- (VI) Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph I and II of this Article which govern the appraisal and procedures, and Sub-Paragraph (I), (II), and (III) of Paragraph III of this Article which govern the evaluation of reasonableness of transaction cost do not apply.
1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
  3. The real property or the right-of-use assets thereof are acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property or the right-of-use assets thereof, either on the Company's own land or on rented land.
  4. The real property right-of-use assets for business use are acquired by the Company from its parent or subsidiaries, or by its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (VII) When the Company acquires real property or right-of-use assets thereof from a related party, the Company shall also comply with Sub-Paragraph (V) of

Paragraph III of this Article if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 10: Procedures for acquiring or disposing of membership or intangible assets or the right-of-use assets

(I) Appraisal and procedures

The Company acquire or dispose of membership or intangible assets or the right-of-use assets shall be handled in accordance with the fixed assets cycling procedures of the Company's internal control system.

(II) Procedures for determining the transaction conditions and authorized amounts

1. In acquiring or disposing of membership, the Company shall take the fair market price into consideration to determine the transaction conditions and price. The above information shall be compiled into an analysis report and submitted to the President. If the transaction amount equals or is less than one 1% of the Company's paid-in capital or NT\$3 million, such transaction shall be submitted to the President for approval and then be reported to the nearest BOD for notification purpose. If the transaction amount is greater than NT\$3 million, an additional approval from the BOD is required.

2. In acquiring or disposing of intangible assets and the right-of-use assets, the Company shall take the professional appraisal report or fair market price into consideration to determine the transaction conditions and price. The above information shall be compiled into an analysis report and submitted to the Chairman of the Board. If the transaction amount equals or is less than 10% of the paid-in-capital or NT\$150 million, such transaction amount shall be submitted to the Chairman of the Board for approval and then be reported to the nearest BOD for notification purpose. If the transaction amount is greater than 10% of the paid-in-capital or NT\$150 million, an additional approval from the BOD is required.

3. When submitting the transaction of acquisition or disposal of assets to the BOD for deliberation in accordance with regulations, the opinion of the independent directors shall be fully considered, and their consent and dissent and the reason shall be documented in the meeting minutes.

(III) Execution unit

When the Company acquires or disposes of the membership or intangible assets or the right-of-use assets, the use department and the finance department or the administrative department shall execute the operation after acquiring approval from corresponding authorization level.

(IV) Professional assessment reports of the membership or intangible assets or the right-of-use assets

1. Professional appraisal institutes shall be invited to issue appraisal reports, when the transaction amount of acquisition or disposal of the membership reaches 1% of the paid-in capital or NT\$3 million or more.

2. Professional appraisal institutes shall be invited to issue appraisal reports, when the transaction amount of acquisition or disposal of intangible assets and the right-of-use assets reaches 10% of the paid-in-capital or NT\$150 million or more.

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

Article 10-1: The transaction amounts referred to in Article 7, 8, and 10 herein are conducted by means of the following, and the term “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction, the amount that has obtained an appraisal report from a professional appraiser or a certified public accountant’s opinion not to be counted towards:

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

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

In principle, the Company shall not engage in the acquisition or disposal of claims against financial institutions. If the Company intends to acquire or dispose of claims against financial institutions in the future, it shall promulgate assessment and operating procedures after obtaining approval by the BOD.

Article 12: Procedures for acquisition or disposal of derivative products

I. Trading principles and strategies

(I) Transaction type

1. The derivative financial products engaged by the Company refer to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, indices or other interests (such as forward contracts, options, futures contract, interest rates or exchange rates contracts, swap, and a combination contract of the above products, etc.).
2. Transactions in bond deposits shall also be governed by the Procedures. Trading of repo bonds needs not to apply the Procedures.

(II) Operating (hedging) strategies:

The Company shall engage in derivative financial products trading solely for hedging purpose. The trading commodities should be selected to avoid the risks arising from the business operations of the Company. The currency held must match the foreign currency demand of the Company's actual import and export transactions, so as to balance the Company's overall internal position (only foreign currency income and expenses), thereby reducing the Company's overall foreign exchange risk and saving foreign exchange operating costs. Transactions

with other specific purposes may be conducted only after they have been prudently evaluated, and been submitted to and approved by the BOD.

(III) Segregation of Powers and Duties

1. Finance and Accounting Units

(1) Trading Personnel

- A. Solely responsible for formulating the Company's strategy for financial products transaction.
- B. Trading personnel shall calculate the position regularly every two weeks, collect market information, conduct trend judgment and risk assessment, and formulate operational strategies. The approval granted by corresponding authorization level shall be the basis for trading.
- C. Execute transaction in accordance with existing strategies and scope of authority.
- D. When there is a significant change in the financial market and the trading personnel judges that the established strategy is not applicable, the assessment report shall be submitted at any time, and the strategy shall be re-planned. The approval by the President shall be the basis for trading.

(2) Accounting personnel

- A. Perform transaction confirmation.
- B. Review whether the transaction is based on the designated scope of authority and the established strategies.
- C. Carry out evaluation monthly, and submit evaluation report to the President for approval.
- D. Conduct the accounting treatment.
- E. Make declaration and announcement in accordance with the provisions of the Securities and Futures Commission.

(3) Settlement personnel: settle trades.

(4) Level of authorization for derivative transactions

A. Level of authorization for hedging transactions

Authority	Daily transaction amount limit	Net cumulative position
Principal Financial and Accounting Officer	Not greater than US\$1M	Equal or less than US\$3M
President	US\$1M-3M	Equal or less than US\$5M
Chairman of the Board	Greater than US\$3M	Equal or less than US\$30M

- B. Transactions for other specific purposes may be conducted only after they have been submitted and approved by the BOD.
- C. When submitting the transaction of acquisition or disposal of assets to the BOD for deliberation in accordance with regulations, the opinion of the Independent Directors shall be fully considered,

and their consent and dissent and the reason shall be documented in the meeting minutes.

2. Auditing Department

Responsible for understanding the appropriateness of internal control in transaction of derivative commodity and checking the compliance of the trading department with the operating procedures, and analyzing the transaction cycle to make an audit report, and submitting it to the Independent Directors for inspection at the end of the month following the month when the audit project is completed; in addition, if the internal auditors find serious irregularities or the Company is at risk of material losses, they should immediately make a report and submit it for review, and inform the Audit Committee.

3. Performance evaluation

(1) Hedging transactions

A. The basis for performance evaluation depends on the profit/loss resulted from the difference between the Company's book value of exchange rate costs and the Company's engagement in the financial transactions.

B. To fully control and express the evaluation risk of the transaction, the Company evaluates the profit and loss by employing the monthly evaluation method.

C. The Finance and Accounting Department shall provide foreign exchange position evaluation, foreign exchange market trends and market analysis to the President as reference and instructions of management.

(2) Specific-purpose transaction:

Performance shall be evaluated based on the profits and losses actually incurred. The accounting personnel shall incorporate position into a statement regularly, and submit such statement to the management for reference.

4. Total contract amount and limit on maximum loss:

(1) Total contract amount

A. Limit on hedging transactions

The Finance and Accounting Department shall master the overall position of the Company to avoid transaction risks. The amount of hedging transactions shall not exceed two thirds of the overall net position of the Company. If the amount exceeds two thirds, it shall be reported to the President for approval.

B. Specific-purpose transactions

The Finance Department must draft needs-oriented strategies based on the forecasts made on market changes, and report to the President and Chairman of the Board, and implement only after they are approved. The Company's specific-purpose transactions are subject to a total contract amount of US\$10 million. Any amount exceeding US\$10 million is subject to policy directives and the approval of the BOD.

(2) Limit on maximum loss

A. The loss of hedging transaction contract shall not exceed 20% of

the contract value. This restriction applies to individual contract and all contracts.

- B. If the transaction is entered for a specific purpose, a stop-loss point shall be established to avoid over loss after the position is created. The stop-loss point shall be no more than 10% of the transaction contract value. Once the amount of losses exceeds the stop-loss point, the situation shall be promptly reported to the President and the BOD, who shall then devise an action plan.
- C. Loss limits on individual contracts shall be set within US\$200 thousand.
- D. The maximum annual loss for the Company's specific purpose trade operations is US\$300 thousand.

## II. Risk management measures

### (I) Credit risk management:

Because various factors may impose impact on the market, derivative transactions are inclined to operation risks. To manage market risks, the following principles are followed:

Counterparty: only limited to famous domestic and foreign financial institutions.

Trading commodities: only limited to commodities provided by famous domestic and foreign financial institutions.

Transaction amount: the uncovered transaction amount of one single trading counterparty shall not exceed 10% of total authorized transaction amount. But transactions that have been approved by the President need not follow this constraint.

### (II) Market risk management:

The open foreign exchange market provided by banks shall be the primary target, and the futures market shall not be considered at this time.

### (III) Liquidity risk management:

In order to ensure market liquidity, the Company only selects financial products with high liquidity (i.e., products which can be settled in the market at any time). Commissioned financial institutions must have sufficient information and be capable to trade in any market at any time.

### (IV) Cash flow risk management

In order to ensure stable turnover of the Company's working capital, the Company shall engage in derivative transactions with its own capital, and shall take the capital demands resulted from the anticipated revenues and expenses within the following three months into consideration.

### (V) Operational risk management

1. The Company's authorized transaction amount and operating procedures shall be complied with, and internal audit shall be undertaken to avoid operational risk.
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. Personnel who engaged in measurement, monitoring, and control of risk shall be assigned to a different department other than the department of the personnel in the preceding subparagraph and shall report to the BOD or

senior management personnel with no responsibility for trading or position decision-making.

4. 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 BOD.

(VI) Commodity risk management

Internal trading personnel shall have complete and correct professional knowledge of financial products and shall require banks to disclose risks to avoid the risk of financial products.

(VII) Legal risk management:

Any legal documents in respect of financial derivative transactions shall be reviewed by foreign exchange professional and legal professional or legal counsel before being signed in order to control legal risk.

III. Internal audit system

- (I) The internal audit personnel shall periodically check the suitability of internal controls on derivatives, conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, analyze the trading cycle, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

- (II) Audit report and the status of internal audit work of the current year shall be reported to the Financial Supervisory Committee (FSC) before the end of the February in the following year in accordance with FSC regulations; rectifications of the abnormalities shall be submitted to the FSC for verification before the end of May of the following year in accordance with FSC regulations.

IV. Periodic evaluation method

- (I) The BOD shall authorize the senior executives to regularly supervise and evaluate whether the transactions in the derivative commodities are actually handled in accordance with the Company's trading procedures, and whether the risks are within the scope of tolerance. If there are any abnormal circumstances in assessment report of market value (such as over loss of the holding position), they shall report to the BOD immediately and take the appropriate measures.
- (II) 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 BOD.

V. BOD's principles for supervision and management when the Company engages in derivatives trading

- (I) The BOD shall designate senior executives to follow the following principles to supervise and control the risks of derivatives transaction:
  1. Periodically evaluate whether the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Procedures and the Company's procedures for engaging in derivatives trading.

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 BOD; if the Company has Independent Directors, an Independent Director shall be present at the meeting and express opinions.
- (II) Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's scope of tolerance.
  - (III) The Company shall report to the soonest meeting of BOD after it authorizes the relevant personnel to handle derivatives trading in accordance with the Company's procedures for engaging in derivatives trading.
  - (IV) In trading of derivative products, the Company shall draft verification documents, in which the types, amounts, approval date of BOD, and matters requiring a prudent evaluation as prescribed in Sub-Paragraph (II) of Paragraph IV and Sub-Paragraph (I) and (II) of Paragraph V of this Article shall be included in details for verification documents.

Article 13: Procedures for handling merger, demerger, acquisition, or transfer of shares

I. Appraisal and procedures

- (I) In conducting a merger, demerger, acquisitions or transfer of shares, the Company shall engage an attorney, a certified public accountant, and securities underwriter to jointly discuss and establish the schedule for the legal procedures which the project team shall implement. Before convening the BOD, the Company shall engage a certified public accountant, 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 shall submit it to the BOD for deliberation and approval. However, the requirement of obtaining an opinion on reasonableness issued by an expert which aforementioned may be exempted in the case that the Company merges a subsidiary which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case that a merger occurs between subsidiaries in which the Company directly or indirectly holds 100 percent of the subsidiaries' issued shares or authorized capital.
- (II) 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 Sub-Paragraph (I) of Paragraph I of this Article when sending shareholders notification of the Shareholders Meeting for reference as to whether the merger, demerger, or acquisition should be approved. A provision of another act exempts the Company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. In addition, when the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.



## II. Other matters needing attention

- (I) Date of BOD: A company participating in a merger, demerger, or acquisition shall convene a BOD and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall convene a BOD on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- (II) Prior undertaking of confidentiality: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and cannot disclose the content of the plan prior to public disclosure of the information and cannot trade any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares in their own name or under the name of another person.
- (III) Principles for establishing or changing the share exchange ratio or acquisition price: Prior to convening the BOD to resolve on the matter, both parties of the merger, demerger, acquisition, or transfer of shares shall engage a certified public accountant, 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 shall submit it to the shareholders meeting for deliberation and passage. In principle, share exchange ratio or acquisition price shall not be changed at discretion, except for the conditions where the conditions for change have been specified on the contract and disclosed to the public. Share exchange ratio or acquisition price may be changed in one of the following circumstances:
  1. Cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with share warrant, preferred shares with share warrant, share warrant, or other equity-based securities.
  2. An action, such as a disposal of major assets, which affects the Company's financial operations.
  3. An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
  4. An adjustment which any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock according to 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 terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- (IV) The contents required to be presented in the contract: the contract of the company participating in the merger, demerger, acquisition, or transfer of shares shall be subject to the following matters, in addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act.
  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 in a merger or that is demerged.

3. The amount of treasury stock of participating companies which permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling.
  4. The manner of handling changes in the number of participating entities or companies.
  5. Preliminary progress schedule for plan execution, and anticipated completion date.
  6. Scheduled date for convening the legally mandated shareholders meeting if the plan is not completed within the scheduled time frame, and relevant procedures.
- (V) Change in the number of companies participating in the merger, demerger, acquisition, or transfer of shares: 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 the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the BOD to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to anew make a resolution on the matter.

(VI) Retention of relevant material: When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a fully written record of the following information and retain it for 5 years for reference:

1. Basic information of personnel: the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Date of important event: including the signing of letter of intent or memorandum, the hiring of a financial or legal advisor, the date of signing contract, the date of BOD, etc.
3. Material documents and meeting minutes: Including plans of merger, demerger, acquisition, and share transfer, any letter of intent or memorandum, material contracts, minutes of BOD, etc.

When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall report the personnel basic information and date of material event to the FSC for recordation in the prescribed format and via the Internet-based information system within 2 days commencing immediately from the date of passage of a resolution by the BOD.

When any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed stock

nor has its shares traded on an OTC market, the Company shall sign an agreement with such a company in accordance with this Sub-Paragraph.

(VII) When 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 in accordance with Paragraph II of this Article for the BOD date in the Subparagraph (I), the prior confidentiality undertaking in the Subparagraph (II), and changes in the number of companies participating in merger, demerger, acquisition or transfer of shares in Subparagraph (V).

Article 14: The time limit and content requiring announcement and reporting are as follows:

The announcement and reporting standards, items, time limits and formats should be announced and handled in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and related laws and regulations.

Article 15: Supervision on Subsidiaries

- I. Subsidiaries shall formulate and implement the Procedures for Acquisition or Disposal of Assets in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", which shall first be passed by their BOD, and then by their shareholders' meeting. This rule applies to any amendment thereafter.
- II. Subsidiaries shall check the compliance of their Procedures for Acquisition or Disposal of Assets with relevant laws and regulations, as well as whether their conduct of acquisition or disposal of assets complies with their established procedures at least once a year.
- III. The internal audit unit of the Company shall review the self-inspection report of the subsidiary, and track the improvement of the deficiencies and abnormalities specified in the report.
- IV. Where a subsidiary is not a public company and it acquire or dispose assets that requires announcement and reporting as specified in the Procedures, the Company shall make the announcement and reporting on behalf of the subsidiary.

Article 16: Penalty

In the event that any of the Company's employees dealing with acquisition and disposal of assets violates the Procedures, the employee shall be periodically evaluated in accordance with the Company's Employee Management Regulations and shall be punished based on the seriousness of the violation.

Article 17: Enactment and amendment

The Company's “Procedures for Acquisition or Disposal of Assets” shall be firstly approved by the Audit Committee, then by the BOD, and last by the Shareholder's Meeting. This rule shall apply to any amendment thereafter. When submitting the Procedures for Acquisition or Disposal of Assets to the BOD for deliberation, the opinion of the independent directors shall be fully considered, and their consent or dissent and the reason shall be documented in the meeting minutes.

The revision of these Procedures made by the Audit Committee, the resolution manner,

and other compliance matters shall be governed by Article 14-5 of the Securities and Exchange Act and other relevant regulations.

Article 18: Additional provisions

Matters not provided in the Procedures shall be conducted in accordance with relevant laws and regulations.