

# AXIOMTEK CO., LTD.

## Operating Procedures for Acquisition and Disposal of Assets

### Article 1 Purpose

For the purpose of the Company's acquisition or disposal of assets has the standard procedure to be followed, so make this procedures.

### Article 2 Scope

The Company's acquisition or Disposal of assets should be made in compliance with these Regulations; provided, where another law or regulation provides otherwise, such provisions shall govern.

### Article 3 Definitions

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

- 3.6 Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- 3.7 Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- 3.8 Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

## **Article 4 Reference Regulations**

- 4.1 Item 218 of Company Law.
- 4.2 Item 36-1 of Security and Exchange Law
- 4.3 『Operating Procedures for Acquisition and Disposal of Assets by Public Companies』 made by Financial Supervisory Commission (FSC).
- 4.4 Organizational Rules of Audit Committee.

## **Article 5 Duty**

- 5.1 Applicant: To issue the application of acquisition or disposal of Assets.
- 5.2 Finance Department:
- 5.2.1 To evaluate the risk for acquisition or disposal of Assets.
  - 5.2.2 To establish memorandum book for recording.
  - 5.2.3 Control and manage the credit of loaning of funds and making of endorsements / guarantees.
  - 5.2.4 To provide the related information for Certified Accountants exercise the necessary audit program.
  - 5.2.5 Be responsible for the follow-up management process for executing the progress of loaning of funds and making of endorsements/guarantees.
- 5.3 Audit Department: To audit the report of acquisition or disposal of Assets by routine.
- 5.4 President: To review the evaluation report of acquisition or disposal of Assets issued by Finance Department.

- 5.5 Audit Committee: To establish and modify the procedures herein, and supervise any issue related to the acquisition or disposal of Assets.
- 5.6 Board of Directors: To make resolution for the procedures herein established or modified by Audit Committee, and to make resolution for the issue related to the acquisition or disposal of Assets.
- 5.7 Shareholders' Meeting: To approve the procedures herein recognized by Audit Committee and Board of Directors.

## **Article 6 Flow Chart**

Not applicable.

## **Article 7 Procedures/Way**

### **7.1 The Scope of Assets**

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

### **7.2 Appraisal Procedures**

- 7.2.1 Acquired or disposed of real property, equipment, or right-of-use assets thereof.
- 7.2.1.1 In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or TWD300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
- 7.2.1.1.1 Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction

shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent changes to the terms and conditions of the transaction.

7.2.1.1.2 Where the transaction amount is TWD1 billion or more, appraisals from two or more professional appraisers shall be obtained.

7.2.1.1.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

7.2.1.1.3.1 The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

7.1.1.1.3.2 The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

7.2.1.2 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.

7.2.1.3 The decision procedure for transaction condition and authorized facilities

7.2.1.3.1 The ability of acquiring or disposing of real property needs to be made the analysis report for the transaction condition and value to the chairman with referring to the issue of current value, assessed valuation, the real transaction value of real property nearby etc., when the transaction amount is under TWD50 millions, the report needs to be approved by the chairman and filing in the Board of Directors in the last time; when the transaction amount is higher than TWD 50 millions, the transaction need to be approved by the Board of Directors.

7.2.1.3.2 The ability of acquiring or disposing of other equipment should be in the way of inquiry, parity, bargain, or bidding; when the transaction amount is under TWD30 millions, it should be approved by the regulations of authorized level in the Company; when the transaction amount is higher than TWD 30 millions, it should be approved by the General manager and report to the Meeting of Boarding to get approval in advance.

7.2.2 Acquired or disposed of Securities

7.2.2.1 Acquiring or disposing of securities of the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's

paid-in capital or TWD300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

#### 7.2.2.2 The decision procedure for transaction condition and authorized facilities

7.2.2.2.1 To trade the securities in the securities exchange or the counter specially provided by securities firms, it should be analyzed and decided by the responsible unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 millions, it should be approved by the Board of Directors.

7.2.2.2.2 To trade the securities neither in the securities exchange nor in the counter specially provided by securities firms, it should get the finance statement audited the certified account from the target company for the reference of transaction evaluation, and EPS, the ability for benefit gaining, and the future potential need to be considered, this transaction should be responsible by the related unit and in accordance with the regulations of authorized level in the Company, besides, when the transaction amount is higher than TWD 50 millions, it should be approved by the Board of Directors.

7.2.2.2.3 To invest the bond funds with fixed-income investments, it should authorized to the Finance Supervisor to approve it.

7.2.3 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or TWD300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

7.2.4 The calculation of the transaction amounts referred to in the preceding three articles (7.2.1, 7.2.2, 7.2.3) shall be done in accordance with Article 7.6.1.7 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

7.2.5 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.

### 7.3 Related Party Transactions

7.3.1 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the

company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 7.2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 7.2.4 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

7.3.2 When the Company intends to acquire or dispose of real 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 real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or redemption of domestic money market funds issued by domestic securities investment trust business, 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:

7.3.2.1 The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.

7.3.2.2 The reason for choosing the related party as a trading counterparty.

7.3.2.3 With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 7.3.6 and Article 7.3.10.

7.3.2.4 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.

7.3.2.5 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.

7.3.2.6 An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with Article 7.3.1.

7.3.2.7 Restrictive covenants and other important stipulations associated with the transaction.

7.3.3 The calculation of the transaction amounts referred to Article 7.3.2 shall be made in accordance with Article 7.6.1.5 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 Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.

7.3.4 With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may pursuant to Article 7.2.1.3 delegate the chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

7.3.4.1 Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

7.3.4.2 Acquisition or disposal of real property right-of-use assets held for business use.

- 7.3.5 When a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.
- 7.3.6 The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
- 7.3.6.1 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.
- 7.3.6.2 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 value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
- 7.3.7 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 Article 7.3.6.
- 7.3.8 The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with Article 7.3.6 shall also engage a CPA to check the appraisal and render a specific opinion.
- 7.3.9 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 Article 7.3.2 and Article 7.3.6, and 7.3.7 do not apply:
- 7.3.9.1 The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
- 7.3.9.2 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.
- 7.3.9.3 The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
- 7.3.9.4 The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- 7.3.10 When the results of the Company's appraisal conducted in accordance with Article 7.3.6 and 7.3.7 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 7.3.10, Article 7.3.11 and Article 7.3.12. 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:

7.3.10.1 Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

7.3.10.1.1 Where undeveloped land is appraised in accordance with the means in Article 7.3.6 to 7.3.9, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

7.3.10.1.2 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.

7.3.10.2 Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

7.3.10.3 Completed transactions involving neighboring or closely valued parcels of land in Article 7.3.10.1 and 7.3.10.2 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 involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

7.3.11 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 Article 7.3.6 and Article 7.3.10 are uniformly lower than the transaction price, the following steps shall be taken:

7.3.11.1 A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.

7.3.11.2 Audit Committee shall comply with Article 218 of the Company Act.

7.3.11.3 Actions taken pursuant to Article 7.3.10.1 and Article 7.3.10.2 shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual



report and any investment prospectus.

- 7.3.12 The Company that has set aside a special reserve under Article 7.3.11 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 competent authority has given its consent.
- 7.3.13 When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the Article 7.3.11 and Article 7.3.12 if there is other evidence indicating that the acquisition was not an arms length transaction.

#### 7.4 Engaging in Derivatives Trading

- 7.4.1 Public companies engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into their Procedures:
- 7.4.1.1 Trading principles and strategies: Shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, essentials of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts.
- 7.4.1.2 Risk management measures.
- 7.4.1.3 Internal audit system.
- 7.4.1.4 Regular evaluation methods and the handling of irregular circumstances.
- 7.4.2 The Company engaging in derivatives trading shall adopt the following risk management measures:
- 7.4.2.1 Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.
- 7.4.2.2 Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- 7.4.2.3 Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
- 7.4.2.4 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 Board of Directors.
- 7.4.2.5 Other important risk management measures.
- 7.4.3 Where the Company engaging in derivatives trading, its Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:
- 7.4.3.1 Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.

- 7.4.3.2 Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.
- 7.4.4 Senior management personnel authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:
- 7.4.4.1 Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the procedures herein and the procedures for engaging in derivatives trading formulated by the company.
- 7.4.4.2 When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where a company has Independent Directors, an independent director shall be present at the meeting and express an opinion.
- 7.4.5 The Company shall report to the soonest meeting of the Board of Directors and Audit Committee after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.
- 7.4.6 The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors' approval dates, and the matters required to be carefully evaluated under Article 7.4.2.4, Article 7.4.3.2 and Article 7.4.4.1 shall be recorded in detail in the log book.
- 7.4.7 The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

## 7.5 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

- 7.5.1 The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. But the public offering company merges its direct or indirect holding of 100% of the issued shares or total capital, or a subsidiary thereof, either directly or indirectly, of 100% of the issued shares or capital of the Company, the reasonable advice of the experts could not be obtained.
- 7.5.2 The Company participating in a merger, demerger, acquisition, or transfer of shares 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 Article 7.5.1 when sending shareholders notification of the Shareholders' Meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a Shareholders' Meeting to approve the merger, demerger, or acquisition, this restriction shall not

apply.

- 7.5.3 Where the Shareholders' Meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the Shareholders' Meeting, the 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.
- 7.5.4 A company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and Shareholders' Meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Authority is notified in advance of extraordinary circumstances and grants consent.
- 7.5.5 A company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction, unless another act provides otherwise or the Authority is notified in advance of extraordinary circumstances and grants consent.
- 7.5.6 When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:
- 7.5.6.1 Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- 7.5.6.2 Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
- 7.5.6.3 Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.
- 7.5.7 When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in Article 7.5.6.1 and 7.5.6.2 of the preceding paragraph to the competent authority for recordation.
- 7.5.8 Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of Article 7.5.6 and Article 7.5.7.
- 7.5.9 Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the

plan for merger, demerger, acquisition, or transfer of shares.

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

7.5.10.1 Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

7.5.10.2 An action, such as a disposal of major assets, that affects the company's financial operations.

7.5.10.3 An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.

7.5.10.4 An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.

7.5.10.5 An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

7.5.10.6 Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

7.5.11 The contract for participation by the Company in a merger, demerger, acquisition, or 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:

7.5.11.1 Handling of breach of contract.

7.5.11.2 Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.

7.5.11.3 The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

7.5.11.4 The manner of handling changes in the number of participating entities or companies.

7.5.11.5 Preliminary progress schedule for plan execution, and anticipated completion date.

7.5.11.6 Scheduled date for convening the legally mandated Shareholders' Meeting if the plan exceeds the deadline without completion, and relevant procedures.

7.5.12 After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's Shareholders' Meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders' Meeting to resolve on the matter anew.

7.5.13 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares

is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 7.5.4, Article 7.5.9, and Article 7.5.12.

## 7.6 Public Disclosure of Information

7.6.1 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the Authority's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

7.6.1.1 Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or TWD300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.

7.6.1.2 Merger, demerger, acquisition, or transfer of shares.

7.6.1.3 Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.

7.6.1.4 Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:

7.6.1.4.1 Paid-up Capital is under TWD10 billion dollars, transaction amount is over than TWD 500 million dollars.

7.6.1.4.2 Paid-up Capital is over than TWD10 billion dollars, transaction amount is over than TWD 1000 million dollars.

7.6.1.5 Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, the amount the company expects to invest in the transaction is over than TWD500 million.

7.6.1.6 Except for the asset transaction stated in Article 7.6.1.1 to 7.6.1.5, Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances:

7.6.1.6.1 Trading of domestic government bonds.

7.6.1.6.2 Trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust business.

7.6.1.7 The amount of transactions above shall be calculated as follows:

7.6.1.7.1 The amount of any individual transaction.

7.6.1.7.2 The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.

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

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

7.6.1.8 "Within the preceding year" as used in Article 7.6.1.7 refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with the procedures herein need not be counted toward the transaction amount.

7.6.1.9 The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authority by the 10th day of each month.

7.6.1.10 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 within 2 days upon acknowledgment, all the items shall be again publicly announced and reported in their entirety.

7.6.1.11 The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.

7.6.2 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with Article 7.6.1, a public report of relevant information shall be made on the information reporting website designated by the competent authority within 2 days commencing immediately from the date of occurrence of the event:

7.6.2.1 Change, termination, or rescission of a contract signed in regard to the original transaction.

7.6.2.2 The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

7.6.2.3 Change to the originally publicly announced and reported information.

7.7 Information required to be public announced and reported in accordance with the provisions of the related Regulations on acquisitions and disposals of assets by a subsidiary of a public company that is not itself a public company in Taiwan shall be reported by the Company.

7.8 The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets,

it reaches a threshold requiring public announcement and regulatory filing under Article 7.7 is subject to Article 7.6.1.

7.9 For the calculation of 10 percent of total assets under the procedures herein, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than TWD10, for the calculation of transaction amounts of 20 percent of paid-in capital under the procedures herein, 10 percent of equity attributable to owners of the parent shall be substituted; for calculations under the provisions of the procedures herein regarding transaction amounts relative to paid-in capital of TWD10 billion, TWD20 billion of equity attributable to owners of the parent shall be substituted.

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

7.10.1 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.

7.10.2 May not be a related party or de facto related party of any party to the transaction.

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

7.10.4 When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

7.10.4.1 Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.

7.10.4.2 When examining 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.

7.10.4.3 They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, 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.

7.10.4.4 They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

- 7.11 The Company that engages in any related party transaction, engages in derivatives trading, or conducts a merger, demerger, acquisition, or transfer of shares of enterprises shall, in addition to conducting such matters in compliance with Article 7.10, shall also establish related procedures in accordance with the provisions of this Procedure.
- 7.12 The Company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with the procedures herein.
- 7.13 With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the company's procedures or other laws or regulations, when it is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. Any transaction involving major assets or derivatives in the Company shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 7.14.3.
- 7.14 Establishment or amendment of the procedures herein:
- 7.14.1 It shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution, and then to a shareholders' meeting for approval.
- 7.14.2 When the procedures herein are submitted for discussion by the Board of Directors pursuant to Article 7.14.1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.
- 7.14.3 If approval of more than half of all audit committee members as required in Article 7.14.1 is not obtained, the procedures may be implemented if 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 of Directors meeting. The terms "all audit committee members" in the preceding paragraph and Article 7.14.1 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

## **Article 8 The related documents**

### 8.1 Documents

Engaged in derivative commodity transaction processing procedures.

### 8.2 Form

8.2.1 The memorandum book of Acquisition or Disposal of Assets.

### 8.3 Record and others

Not applicable.