

**SYSTEX Corporation**  
**Procedures for the Acquisition and Disposal of Assets**

[Purpose and Basis]

Article 1: To regulate the Company's operations in the acquisition and disposal of assets in compliance with Article 36-1 of the Securities and Exchange Act and in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies promulgated by the competent authority, and for the purpose of protecting investors and fulfilling information disclosure, the Company's operations in the acquisition and disposal of assets shall be implemented in accordance with these Procedures.

[Applicable Scope]

Article 2: These Procedures apply to the following asset categories:

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, land use rights, inventory in construction business) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, licenses and other intangible assets.
- V. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VI. Derivatives.
- VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
- VIII. Other major assets.

[Terms and Definitions]

Article 3: Terms used in the Procedures are defined as follows:

- I. Derivatives: Refer to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts as well as any combination of the above 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)

agreements.

- II. Assets acquired or disposed of through mergers, demergers, acquisitions or transfer of shares: refer to assets that have been acquired or disposed of during a merger, demerger, or acquisition in accordance with the Business Mergers and Acquisitions Act or other relevant laws, or through an arrangement whereby new shares are issued in exchange for another company's shares under Article 156-3 of the Company Act.
- III. Related party or subsidiary: As defined in the provisions of 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 or equipment.
- V. 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 meeting resolutions, or any other dates that serve to confirm the counterpart and monetary amount of the transaction, whichever date is earlier. However, for investments that require the approval of the competent authority, the date of occurrence shall be determined as the earlier between the above dates and the date approved by the competent authority.
- 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.
- VII. "Latest financial statements" refer to the audited or reviewed financial statements duly disclosed by the Company prior to the acquisition or disposal of assets.
- VIII. "Major assets or commodity derivative trades" refer to assets or derivative commodity trades approved by the Board of Directors pursuant to the provisions stipulated in the Company's procedures for the acquisition or disposal of assets or other laws and regulations.

[Specialists]

Article 4: 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:

- 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 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.

[Investment Amount]

Article 5: Investments in various assets undertaken by the Company and its subsidiaries are restricted to investment amounts as specified below:

I. Purchase of real property and right-of-use assets for non-business use may not exceed 10% of the Company's paid-in capital.

II. Total long-term investment in securities is not subject to the maximum amount of 40% of paid-in capital as stipulated in the Company's Articles of Incorporation. Unless otherwise approved in a shareholders' meeting, investment in a single security may not exceed 30% of the equities attributable to the owners of the parent company as specified in the latest financial statements of the Company.

III. Total short-term investment in securities may not exceed 60% of the

equities attributable to the owners of the parent company as specified in the latest financial statements of the Company and investment in a single security may not exceed 10% of the equities attributable to the owners of the parent company as specified in the latest financial statements of the Company.

[Basis for Non-NTD Transactions]

Article 6: Where a transaction amount is not denominated in NTD, the basis of calculation shall be its equivalent value in USD or other foreign currency equivalents upon acquisition or disposal.

[Calculation of Transaction Amount]

Article 7: The transaction amount refers to the agreed price in acquisition or disposal. All other necessary expenses paid to improve the acquisition to a usable state shall be included in the cost of the asset with regard to transaction accounting but shall not be included in the basis of calculation within the scope of the Procedures.

[Transaction Assessment and Operating Procedures]

Article 8: The Company's assessment and operating procedures for the acquisition or disposal of assets shall be implemented in accordance with these Procedures in conjunction with the Company's authorization guidelines, related operating procedures of the internal control system, or other related procedures.

Article 9: General Applicable Procedures:

I. Application:

The department managing the asset shall evaluate the gains and losses incurred through the acquisition or disposal of assets using methods that ensure the investment interests of the Company. Where necessary, it shall report to related departments for approval before implementation.

II. Tender price comparison or negotiation:

After evaluation, the department managing the asset procurement shall formulate a base price and carry out procurement in accordance with the tender or price comparison procedures. If tendering or price comparison cannot be conducted due to practical limitations, the acquisition/disposal may be conducted through price negotiations.

III. Contract establishment:

The results of price comparison or negotiation shall be adopted to establish a transaction contract with the counterparty; efforts shall be duly made to ensure the Company's rights and interests.

IV. Acceptance or inventory:

Acceptance or inventory in the acquisition or disposal of assets shall be conducted in accordance with the content or terms and conditions of the contracts, their related documents, and the required procedures on an item by item basis. If any discrepancy is discovered, it shall be reported in an approval form.

V. Property right registration:

An acquisition of real property shall be registered with the competent authority within the statutory period. The same applies to all subsequent changes.

VI. The General Affairs Department shall purchase insurance for Company assets in accordance with their nature and actual status.

Article 10: Special Applicable Procedures:

I. Appraisal:

(I) In acquiring or disposing of real property, equipment or its' right-of-use assets where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government authority, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or its' right-of-use assets for business use, shall appoint an objective and independent professional appraiser to formulate an appraisal report prior to the date of occurrence of the event and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where the difference between the professional appraiser's appraisal results and the transaction amount exceeds 20% of the transaction amount, or if the difference between two or more professional appraisers exceed 10% of the transaction amount, unless all appraisal results for the assets to be acquired are higher than the transaction amount, or all appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion

regarding the reason for the discrepancy and the appropriateness of the transaction price.

4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. However, 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.

(II) In the acquisition or disposal of securities, the Company shall, prior to the date of occurrence of the event, obtain the financial statements of the issuing company for the most recent period which have been certified or reviewed by a certified public accountant for reference in appraising the transaction price. In the event the dollar amount of the transaction reaches 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. If the CPA requires the use of an expert report as evidence. This requirement does not apply, however, to securities with publicly quoted prices from an active market, or where other regulations of the competent authority prevail.

(III) If the dollar amount of intangible assets or its' right-of-use assets or memberships to be acquired or disposed of by the Company is 20% or more of the Company's paid-in capital or NT\$300 million or more, except in transactions with a domestic government authority, the Company shall 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; the certified public accountant shall comply.

(IV) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be used as a substitute for the appraisal report or CPA opinion.

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be conducted in accordance with Article 29, Paragraph 2 herein. In the meantime, "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. The basis for calculation, however, shall not include any transactions for which a professional appraisal report or CPA's opinion has been obtained according to the Procedures.

## II. Reports to the Board of Directors:

(I) The Company's acquisition or disposal of assets shall require the approval of the Board of Directors in accordance with the Company's authorization guidelines, other procedures, or other legal requirements.

If a Director expresses objection and records or written statements are available, the Company shall submit information regarding the Director's objection to the Audit Committee.

- (II) When the transactions in the acquisition or disposal of assets are proposed for discussion by the Board of Directors in accordance with the above regulations, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by Independent Directors must be detailed in Board meeting minutes.
- (III) Major asset transactions or other matters that require the approval of the Audit Committee in accordance with the law shall first be approved by more than half of all Audit Committee members and then submitted to the Board of Directors for resolution.
- (IV) If approval of more than half of all Audit Committee members as required in the preceding paragraph 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.

#### [Related-Party Transactions]

Article 11: When engaged in the acquisition or disposal of assets from or to a related party, the Company shall, in accordance with the regulations, complete the relevant resolution procedures and appraisal of the reasonableness of the transaction terms. If the transaction amount reaches 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion.

The calculation of the transaction amounts referred to in the preceding paragraph shall be conducted in accordance with Article 29, Paragraph 2 herein. In the meantime, "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. The basis for calculation, however, shall not include any transactions for which a professional appraisal report or CPA's opinion has been obtained according to the Procedures.

When determining whether the transaction counterparty is a related party, the Company shall take into account not only the legal formalities, but also the substance of the relationship.

#### Article 12: Evaluation of Transaction Cost:

- I. When the Company acquires real property or right-of-use assets thereof from a related party, it shall evaluate the reasonableness of the transaction costs by means of the following methods:

- (I) Based upon the related party's transaction price plus necessary interest on funding and the costs to be borne by the buyer in accordance with the law.
  - (II) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; the actual cumulative amount loaned 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 trading counterparties.
- II. Where land and buildings thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and buildings may be separately appraised in accordance with either of the methods listed above.
  - III. When acquiring real property or right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or right-of-use assets thereof in accordance with Paragraphs 1 and 2 above, and engage a CPA to review the appraisal and render an opinion.
  - IV. Where the Company acquires real property or right-of-use assets thereof from a related party under any of the following circumstances, the acquisition shall be conducted in accordance with Article 15 and the preceding three paragraphs shall not apply:
    - (I) The real property or right-of-use assets thereof was acquired in the first place by the related party as an inheritance or gift.
    - (II) More than 5 years 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.
    - (III) 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.
    - (IV.) The real property right-of-use assets for business use are acquired by the company with subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 13: Principles for Processing Non-Arm's Length Transactions:

Where the Company acquires real property or its' right-of-use assets from a related party and the results of appraisals conducted in accordance with Article 12 and Article 14 are uniformly lower than the transaction price, the following steps shall be taken:



- I. A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property or its' right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in the investee, a special reserve shall be set aside pro rata in a proportion consistent with the share of the equity stake in the investee.
- II. The Audit Committee shall comply with Article 218 of the Company Act.
- III. Actions taken pursuant to Subparagraphs 1 and 2 above shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and investment prospectus.
- IV. If the Company has set aside a special reserve under Paragraph 1, it shall not draw on the reserve unless it has recognized the loss on decline in market value of the assets it purchased or leased at a premium; has disposed or the leasing contract has been terminated of the assets or made adequate compensation; or has restored the status quo ante; or there is other evidence confirming that there was nothing unreasonable regarding the transaction. Approval from the competent authority is also required.
- V. The Company shall also comply with the preceding regulations if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 14: Standards for Determining Non-Arm's Length Transactions:

Where the results of appraisals conducted by the Company in accordance with Article 12 are uniformly lower than the transaction price, the transaction shall be carried out in accordance with regulations in Article 13. However, under the following circumstances and where objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:

- I. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance that fulfills one of the following conditions:
  - (I) Where the sum of undeveloped land appraised in accordance with the means in the preceding Article and buildings appraised according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price.
  - (II) 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 or leasing terms are similar after calculation of reasonable price discrepancies in

floor or area land prices in accordance with standard property market practices.

(III) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.

II. Where the Company has provided evidence that the terms and conditions for purchasing or leasing the real property or its' right-of-use assets from the related party are equivalent to the terms of the transactions concluded in neighboring areas for similarly-sized parcels by other non-related parties within one year.

#### Article 15: Approval by the Board of Directors:

When the Company intends to acquire or dispose of real property or its' right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or its' right-of-use assets from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% 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 a domestic securities investment trust enterprise, the Company may not enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Audit Committee:

- I. The purpose, necessity, and expected benefits for acquiring or disposing of the asset.
- II. The reason for choosing the related party as a trading counterparty.
- III. With respect to the acquisition of real property or its' right-of-use assets from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance Article 12 and Article 14.
- 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 related party.
- V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- VI. Professional value's report or CPA's opinion obtained according to the regulations.
- VII. Restrictive covenants and other important stipulations associated with the

transaction.

If the company or a subsidiary will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the company's total assets, the company shall submit the materials in all the subparagraphs of paragraph 1 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 company and subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 1 and the preceding paragraph shall be conducted in accordance with Article 29, Paragraph 2 herein. In the meantime, "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 in accordance with the Procedures need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the company and its 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 authorizes the Chairman of the Board sole discretion to decide such matters in accordance with related regulations in the Procedures when the transaction is within NT\$500 million; the decisions shall be submitted to and retroactively ratified by the next Board of Directors meeting:

- I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- II. Acquisition or disposal of real property right-of-use assets held for business use.

Article 16: Definitions of Terms for Acquisition of Real Property or Its' Right-of-use Assets from Related Parties are as follows:

- I. Cost of funds: The "necessary cost of funds" specified in Article 12, Paragraph 1, Subparagraph 1 is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property and may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. Reasonable construction profit: The "reasonable construction profit" specified in Article 14, Paragraph 1, Subparagraph 1 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.

- III. Transactions for neighboring parcels of land: The "transactions for neighboring parcels of land" specified in Article 14, Paragraph 1, Subparagraph 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.
- IV. Similar land area: The "similar land area" specified in Article 14, Paragraph 1, Subparagraph 2 in principle refers to transactions by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction.
- V. Within the preceding year: The "within the preceding year" specified in Article 14, Paragraph 2 refers to the year preceding the date of occurrence of the acquisition of the real property or its' right-of-use assets.

#### [Derivatives Transactions]

Article 17: The Company shall pay attention to the following principles and guidelines in derivatives transactions:

##### I. Derivatives Categories Eligible for Transactions

- (I) The "derivatives" specified in the Procedures refer to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts as well as any combination of the above whose value is derived from assets, interest rates, foreign exchange rates, indices or other interests.
- (II) The term "forward contracts" specified in the Procedures does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- (III) Transactions in bond deposits shall also be conducted in accordance with the regulations of the Procedures.

##### II. Management or Hedging Strategy

The difference between strategies for the purpose of transactions or and those for non-transaction purposes shall be clearly defined. The main purpose shall be the prevention of risks as well as the establishment of a sound internal control system. The transaction counterparties shall be financial institutions with healthy systems that regularly conduct business with the Company.

##### III. Division of Powers and Responsibilities

###### (I) Transaction Department

- 1. Collection of market information, familiarity with derivatives, laws and regulations, and risk assessment.

2. Undertaking of transactions and risk management within the authorized scope.
3. Provision of sufficient and timely information to senior managers authorized by the Board of Directors and undertaking of periodic assessment of profits and losses.

(II) Accounting Department

1. Verification of transactions.
2. Understanding of the nature of products, agreements, and transaction format and provision of appropriate registration.
3. Assessment of the profit and loss of positions at the end of each month.

(III) Settlement Department

Receipt of notification from the Transaction Department and verification with the Accounting Department before execution of settlement.

IV. Performance Evaluation Guidelines

Periodic assessments and reviews shall be conducted based on a reliable assessment model and the principles of stability and consistency. Statements for reference and management by senior managers authorized by the Board of Directors shall be compiled.

V. Total Contract Value of Derivative Eligible for Transactions

(I) For non-transaction purposes

1. The total contract value of transactions undertaken to avoid foreign exchange risk may not exceed the total value of import/export in the current year.
2. The total contract value of transactions undertaken to avoid foreign exchange risk may not exceed the total value of assets or liabilities in the current year.
3. The total contract value of transactions undertaken to avoid foreign exchange and interest risks arising from project implementation may not exceed the total project budget.

(II) For transaction purposes: Traders shall conduct transactions within the authorized project amount.

VI. Maximum Limit on Loss

A stop-loss order shall be established for derivative transactions undertaken for transaction purposes. The maximum limit on loss under each contract shall be 5%. However, a transaction with a loss of under USD 50,000 shall be exempted from the 5% of contract value restriction specified above. The total net loss of all contracts may not exceed 1% of the paid-in capital of the Company.

Derivative transactions undertaken for non-transaction purposes must comply with the regulations on hedging and accounting specified in the accounting procedures for financial products in Statement of Accounting Standards No. 34. Formal written documents shall be required for related hedging relations, corporate risk management goals, and hedging strategies.

#### Article 18: Procedures for Derivatives Transactions

##### I. Authorized Amount

(I) The authorized amounts for derivatives transactions undertaken for non-transaction purposes are specified below: Transactions undertaken in response to business development, market changes, or under special circumstances may be exempted from the restrictions on authorized amount upon the approval of the Board of Directors.

	Single Transaction Amount	Total Transaction Amount Per Day	Net Position Per Day
President	US\$10 million	US\$15 million	US\$10 million
Chief Financial Officer	US\$5 million	US\$7.5 million	US\$5 million

(II) A single derivatives transaction undertaken for transaction purposes with a total contract value of over US\$200,000 shall be submitted to the Board of Directors for approval before the transaction is conducted. A single transaction with a total contract value of less than US\$200,000 shall be submitted to the senior manager authorized by the Board of Directors for approval before the transaction is conducted.

(III) Transactions performed by relevant authorized personnel in accordance with the Procedures for Engaging in Financial Derivative Transactions shall be reported to the next upcoming meeting of the Board of Directors.

(IV) Derivatives transactions that require the approval of the Audit Committee shall first be approved by more than half of all Audit Committee members and then submitted to the Board of Directors for resolution.

(V) If approval of more than half of all Audit Committee members as required in the preceding paragraph 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.

(VI) The term "major derivative transaction" refers to derivative trades approved by the Board of Directors pursuant to the provisions stipulated

in the Company's Procedures for Engaging in Financial Derivative Transactions or other laws and regulations.

## II. Implementation Unit

The Transaction Department shall conduct transactions within the authorization described above or within the amount authorized for the project.

## Article 19: Accounting Methods for Derivatives Transactions

- I. Memo records for registering related information of derivatives transactions shall be established.
- II. Independent accounting items that clearly record profit or loss shall be established.

## Article 20: Internal Control System:

### I. Risk Management Measures:

#### (I) Credit risk management

Credit checks on the transaction target prior to transactions and periodic follow up on its credit status shall be conducted; avoid concentrating transactions with a single counterparty.

#### (II) Market price risk management

1. Authorized transaction personnel on each level shall adhere to the provisions specifying the authorized amount and maximum limit on loss in derivatives transactions.
2. The personnel shall assess the possible loss amount and the possibility of loss due to changes in market interest rate and exchange rates at appropriate times and take appropriate measures.

#### (III) Liquidity risk management

To maintain liquidity, transaction personnel must pay attention to the scale, depth, liquidity, and transaction capabilities of the financial institution.

#### (IV) Cash flow risk management

The Asset Management Department shall assess the cash collection and payment of transaction agreements.

#### (V) Operating risk management

1. Personnel engaged in derivatives trading may not serve concurrently in other operations such as verification and settlement.
2. Personnel responsible for risk measurement, monitoring and control shall be affiliated to department separate from the individuals specified in the preceding subparagraph, and shall report to the

Board of Directors or other senior managers who are not engaged in decision making on transactions or trading positions.

(VI) Management of legal risks

1. The content of contracts shall firstly be filed to the Legal Affairs Department for approval.
2. Verify that the transaction counterparty has acquired the legality and authorization to operate derivatives.

II. Periodic assessment methods and processing of irregularities:

(I) The Company 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 Subparagraphs 2, 3, and 4 of the current Paragraph shall be recorded in detail in the log book.

(II) The Company shall assess its derivative trading positions at least once a week. Hedging transactions conducted to meet business requirements shall be assessed at least twice a month. Assessment reports shall be submitted to the senior management level authorized by the Board of Directors.

(III) The senior manager authorized by the Board of Directors shall periodically assess whether the risk management procedures currently in use are suitable and strictly carry out operations in accordance with the Procedures established by the Company. The senior manager is also required to supervise transactions, profits, and losses. In case any irregularities are found (such as a position with losses exceeding the maximum limit on loss), the senior manager shall report to the Board of Directors immediately and take all necessary response measures. If the Company has appointed Independent Directors, an Independent Director shall be present at the Board meeting to provide opinions.

(IV) The Board of Directors shall periodically assess whether the performance of derivatives transactions meet established management strategies and whether the risks undertaken are within the scope of the Company's risk tolerance.

Article 21: Internal Auditing System:

- I. The internal auditors shall, on a regular basis, check the adequacy of the company's internal control system for derivatives transactions and conduct monthly audits on the Transaction Department to ensure compliance with the Procedures. Audit reports shall be produced. The auditors are required to advise the Audit Committee in writing if any significant violations are found.



II. The Company shall submit the Audit Report of the previous year along with the implementation status of the internal auditing procedures in the annual inspection plan to the competent authority before the end of February each year. The Company shall also file improvements for the irregularities to the competent authority for reference before the end of May at the latest.

[Corporate Merger, Demerger, Acquisition, or Transfer of Shares]

Article 22: Expert Opinion

When engaged in mergers, demergers, acquisitions or share transfers, the Company shall, before convening a Board meeting to approve such matter, engage a CPA, attorney or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, the cash or other property to be distributed to shareholders, etc. The proposal shall be submitted to the Board of Directors for deliberation and passage.

However, where the Company merges subsidiaries whose issued shares or total capital are wholly owned by itself directly or indirectly, or subsidiaries whose issued shares or total capital are wholly owned by the Company directly or indirectly are merged together, the Company may be exempted from obtaining the aforementioned expert opinion on the reasonableness of the merger.

Article 23: Confidentiality Obligations

All personnel participating in or privy to the plan for the merger, demerger, acquisition, or transfer of shares shall be required to issue an undertaking of confidentiality in writing not to disclose the content of the plan prior to public disclosure of the information. Neither shall they, in their own name or under the name of a third person, trade in any stock or other equity securities of any company related to such plan.

Article 24: Provisions to be Included in Contracts:

I. When participating in mergers, demergers, acquisitions, or transfer of shares, the Company shall state clearly in the relevant contracts the rights and obligations of the participating companies. The following provisions shall also be expressly stipulated:

(I) Handling of breach of contract.

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

(III) The amount of treasury stock participating companies are permitted under law to buy back after the baseline date of calculation of the share

exchange ratio, and the principles for handling thereof.

(IV) The manner of handling changes in the number of participating entities or companies.

(V) Timetable for project execution, and anticipated completion date.

(VI) Scheduled date for convening the legally mandated shareholders' meeting if project implementation has exceeded the proposed deadline as well as relevant procedures.

II. If any of the participating companies of the merger, demerger, acquisition, or the company participating in the merger, demerger, acquisition, or transfer of shares is not a publicly listed company, the Company shall sign an agreement with such participating companies, while abiding by the provisions of Articles 23, 25 and 27 herein.

#### Article 25: Organizing Board of Directors and Shareholders' Meetings

I. Unless otherwise regulated by law or approved in advance by the competent authority for any special reason, when the Company participates in a merger, demerger or acquisition, it must convene Board of Directors meetings and shareholders' meetings on the same day to resolve any details related to the merger/demerger/acquisition.

II. Unless otherwise provided by law or agreed in advance by the competent authority for special reasons, the Company is required to convene a Board of Directors meeting on the same day when participating in share exchange.

III. Before participating in a merger, demerger, or acquisition, the Company shall, before the shareholders' meeting, prepare a public report to the shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition. The report shall be sent to the shareholders along with the notification for shareholders' meeting and the expert opinions referred to in the Article 22, so that it can be used as a reference for decision-making on the merger, demerger, or acquisition. However, where other legal provisions exempt a company from convening a shareholders' meeting to approve the merger, demerger or acquisition, this restriction shall not apply.

IV. When participating in a merger, demerger or acquisition, if the shareholders' meeting of the Company fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, the Company shall immediately explain publicly the reason, the follow-up measures and the proposed date of the next shareholders' meeting.

Article 26: Share Exchange Ratio or Acquisition Price shall not be Arbitrarily Modified

Except for the following circumstances, the Company shall not arbitrarily change the share exchange ratio or acquisition price when participating in the merger, demerger, acquisition or transfer of shares. The Company shall, in the meantime, stipulate in the relevant contracts for the merger, demerger, acquisition, or transfer of shares the conditions where such changes are allowed:

- I. The implementation of capital increase by cash, issue exchangeable corporate bonds, stock grants, equity warrant bonds, equity warrant special shares, stock option certificates, and other securities that involve shareholding rights.
- II. Actions for the disposal of major assets of the Company etc. that impact the finance and business of the Company.
- III. Incidents including major disasters or major technological breakthroughs that impact the interests of shareholders or stock price.
- IV. Adjustments by any party participating in the merger, demerger, acquisition, or transfer of shares for the repurchase of treasury stocks in accordance with regulations.
- V. Increase or decrease in the main entity or the number of parties participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Changes in conditions that were specified in the contract and those that have been disclosed to the public.

Article 27: Disclosure of Information before a Merger, Demerger, Acquisition, or Transfer of Shares with Another Company

In the event that, after the public disclosure of the information for the merger, demerger, acquisition or transfer of shares participated in by the Company, one of the participating companies intends to engage another company (companies) in such activities, the participating company shall again go through all the procedures and legal actions which have already been completed for the original merger, demerger, acquisition or transfer of shares. A participating company, however, may be exempted from calling another shareholders' meeting to reapprove the plan, if the number of participating companies has decreased and the Board of Directors of the Company have received approval and authorization from the shareholders' meeting to change the authority.

Article 28: Retention of Information

When participating in a merger, demerger, acquisition or transfer of shares, the Company shall prepare a full written record of the following information

and retain it for five years for reference.

- I. Basic information of personnel: Including the job title, name and ID number (or passport number in the case of foreign nationals) of all personnel involved in the planning or implementation of the merger, demerger, acquisition, or transfer of shares prior to public disclosure of the information.
- II. Dates of important events: Including the dates of signing a letter of intent/memorandum of understanding, commissioning a financial or legal advisor, signing contracts or holding Board of Directors meetings.
- III. Important documents and meeting minutes: Including the plans for merger, demerger, acquisition or transfer of shares, letter of intent or memorandum of understanding, important contracts and minutes of the Board of Directors meetings.

[Information Disclosure]

Article 29: Under any of the following circumstances, the department undertaking the acquisition or disposal of assets shall immediately notify the Shareholder Service Department which shall, within 2 days from the date of occurrence of the event, publicly announce and report relevant information on the acquisition or disposal of assets on the website designated by the competent authority using the specified format:

- I. 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% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more. This however shall not apply to 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.
- II. Merger, demerger, acquisition, or transfer of shares.
- III. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedures.
- IV. Where the type of asset acquired or disposed of is equipment or right-of-use assets thereof for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.
- V. Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate

sale, and the amount the company expects to invest in the transaction is more than NT\$500 million.

VI. With the exception of the transaction of assets specified in the six preceding paragraphs or investment conducted in the China region, the amount of any individual transaction, the cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year, the cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year that reaches 20% of the Company's paid-in capital or NT\$300 million shall be included. This shall not apply to the following circumstances:

- (I) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
- (II) Trade of bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions specified in the preceding paragraph shall be calculated as follows:

- I. The amount of any individual transaction.
- II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
- III. The cumulative transaction amount of real property or right-of-use assets thereof acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
- IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

The Company shall compile monthly reports on the status of derivative transactions (including those conducted for transaction purposes and otherwise) conducted up to the end of the preceding month by itself and any of its subsidiaries that are not publicly-listed companies in Taiwan. The

information shall be disclosed along with the status of monthly operations on the information reporting website specified by the competent authority before the 10th of each month using the required format.

When the Company makes an error or omission in an item required by regulations to be publicly announced, all the items shall be properly corrected and publicly announced in entirety within 2 days upon knowledge of its error or omission.

When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of the certified public accountant, attorney and securities underwriter at the Company headquarters, where they shall be retained for five years, except where otherwise provided by laws and regulations.

Article 30: If the following situations arise after the Company has announced or reported transactions according to the preceding article on information disclosure, the Company shall announce and report such matters within two days on the website specified by the competent authority:

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

[Control Procedures for the Acquisition and Disposal of Assets by Subsidiaries]

Article 31: The subsidiaries of the Company shall establish "Procedures for the Acquisition or Disposal of Assets" and submit them to the highest ranking supervisor in the Company's finance department and the President for approval. The Procedures shall then be sent to the Board of Directors and the shareholders' meeting of the subsidiary for approval before implementation. The same procedures shall apply for revisions.

- I. The subsidiaries shall establish their own "Procedures for the Acquisition or Disposal of Assets" based on these Procedures. They shall reference the Company's authorization methods, the guidelines on parent-subsidiary financial operations, and other related investment regulations to establish their own procedures for implementation.
- II. The assets acquired or disposed by subsidiaries may not exceed the regulated amount specified in Article 5 herein.
- III. For the calculation of 10% of total assets under the Procedures, 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. For subsidiaries whose shares are issued without face value or where the face value does not equal to NT\$10, the 20% requirement on paid-up capital, as specified in these Procedures, shall be calculated instead at 10% of equity attributable to parent company owners.

[Information Disclosure of Subsidiaries]

Article 32: For a subsidiary in which the Company directly holds shares or indirectly holds shares through a subsidiary amounting to over 50% of issued shares with voting rights and that which is not publicly listed, if assets it has acquired or disposed of reach announcement and reporting standards, the subsidiary shall immediately notify the Company on the date of occurrence of the event. The Company shall, within two days of receiving notification from the subsidiary, announce and report such matters on the website specified by the competent authority in accordance with the Procedures.

[Penalties for Violation of the Procedures]

Article 33: The Board of Directors shall impose penalties on related personnel who are in violation of the Company's Procedures for the Acquisition or Disposal of Assets.

[Other Matters]

Article 34: Supplementary Provisions

- I. The Procedures shall be delivered to the Audit Committee and submitted to the shareholders' meeting for approval following approval in the Board of Directors meeting. The same shall apply to any revision. If a Director expresses objection and records or written statements are available, the Company shall submit information regarding the Director's objection to the Audit Committee.
- II. When the Procedures are proposed for discussion by the Board of Directors, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by Independent Directors must be detailed in Board meeting minutes.
- III. The establishment and revision of the Procedures must be approved by at least one half of all members of the Audit Committee and submitted to the Board of Directors for resolution.
- IV. If approval of more than half of all Audit Committee members as required in the preceding paragraph 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.

V. The terms "all Audit Committee members" and "all Directors" in Article 10, Paragraph 2, Article 18 Paragraph 1, Paragraph 3 of this Article, and the preceding paragraph shall refer to the actual number of persons currently holding those positions.

VI. The Procedures was established in October 1999.

The 1st Amendment on Mar. 9, 2000, the 2nd Amendment on Feb. 27, 2001, the 3rd Amendment on Jan. 23, 2002, the 4th Amendment on Jan.28, 2003, the 5th Amendment on May 18, 2005, the 6th Amendment on Feb. 15, 2006, the 7th Amendment on June 15, 2006, the 8th Amendment on June 13, 2007, the 9th Amendment June 19, 2009, the 10th Amendment on June 18, 2010, the 11th Amendment on June 15, 2012, the 12th Amendment on June 20, 2014, the 13th Amendment on June 16, 2017, the 14th Amendment on June 13, 2019, and the 15th Amendment on May 26, 2022.