

# TSC Auto ID Technology Co., Ltd.

## Asset Acquisition or Disposal Procedures

### Article 1. Basis

The Company's Asset Acquisition and Disposal Procedures are enacted in accordance with Article 36-1 of the Securities and Exchange Act, and related requirements under the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," unless otherwise provided in any other laws and regulations.

### Article 2. Scope of Assets & Limits

I. The term "assets" as used in these Procedures includes the following:

- (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.
- (2) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- (3) Memberships.
- (4) Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- (5) Right-of-use assets.
- (6) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- (7) Derivatives.
- (8) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
- (9) Other major assets.

II. Limits:

- (1) The total amount of the real property for non-business use, other fixed assets, and short-term securities purchased by the Company is limited to 20% of the Company's shareholders' equity as reported in the most recent financial statements audited by accountants.
- (2) The Company's net investment in short-term and long-term securities is limited to 200% of the Company's consolidated shareholders' equity as reported in the most recent financial statements audited or reviewed by accountants. However, the amount of long-term

investment (actual funds invested) in a single company is limited to 100% of the Company's consolidated shareholders' equity as reported in the most recent financial statements audited or reviewed by accountants.

- (3) The scope and limits of investment in subsidiaries are as described in I~II above.

Article 3. Definitions:

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

- VI. Mainland China area investment: Investment in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 3-1. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange 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 their respective associations, and the following matters:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When executing a case, appropriate and adequate working procedures shall be planned and executed 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. An item-by-item evaluation shall be undertaken of the adequacy 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. A statement shall be issued attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that the information used has been found to have been adequate and reasonable, and in full compliance with applicable laws and regulations.

Article 4. Evaluation Procedures for Acquisition or Disposal of Assets

- I. Except for transactions with domestic government institutions, contracting third parties to construct on land owned or leased by the Company, or acquisition of equipment or related right-of-use assets for business use, an appraisal report issued by a professional appraiser (refers to real estate appraisers or other personnel who are allowed by law to engage in the business of appraising real estate and other fixed assets) shall be obtained prior to the date of the event for any acquisition or disposal of real estate, equipment or related right-of-use assets by the Company the amount for which is 20% of the Company's paid-in capital or NT\$300 million, and the following provisions shall be complied with:
- (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 any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
    1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
    2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
  - (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; 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.

- II. When acquiring or disposing of securities 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. If the dollar amount of the transaction is 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
- III. When the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.
- IV. 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.
- V. The calculation of the transaction amounts shall be done in accordance with Article 31, paragraph 2 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, 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.

Article 4-1. The Company shall not waive the capital increase in TSC Auto ID Technology EMEA GmbH, TSC Auto ID (H.K.) LTD. (hereinafter referred to as "TSCHK") and TSC AUTO ID Technology America INC. in future years. TSCHK shall not waive the capital increase in Tianjin TSC Auto ID Technology in future years. Notwithstanding, the Company's waiver to increase capital in or dispose of equity of said companies, if any, in the future shall be subject to the special resolution rendered by the Board of

Directors. Any amendments to this provision shall be subject to the special resolution rendered by the Board of Directors, and shall be disclosed via the Market Observation Post System (MOPS) and reported to Taipei Exchange for future reference.

#### Article 5. Related party transactions

- I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of these Disposition Procedures.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 31, paragraph 2 and Article 12 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

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

- II. When the Company acquires or disposes of real estate or related right-of-use assets from or to a related party, or when it acquires or disposes of assets other than real estate or related right-of-use assets from or to a related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets, or NT\$300 million, (except for buying or selling domestic government bonds, bonds under repurchase and resale agreements and subscribing or redeeming money market funds issued by domestic securities investment trusts), the Company may not enter into any transaction contract or make a payment until the following matters have been approved by more than half of the Audit Committee members and then submitted to the Board for approval:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (2) The reason for choosing the related party as a transaction counterparty.
- (3) With respect to the acquisition of 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 Paragraph 3 and Paragraph 4 of this Article.

- (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- (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.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

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% of the issued shares or authorized capital, the Company's Board of Directors may pursuant to Article 8, paragraph 5, delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

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

Where the position of Independent Director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the Board of Directors pursuant to 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.

Where an Audit Committee has been established in accordance with the provisions of the Act, the matters for which paragraph 2 requires recognition by the Audit Committee shall first be approved by one-half or more of all audit committee members and then submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 6, paragraphs 4 and 5 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

If the Article 5, paragraph 2 transaction occurs in the Company or its subsidiary that is not itself a public company in Taiwan and the transaction amount reaches 10% or more of the total assets of the Company, the Company shall submit the information listed in the Article 5, paragraph 2 to the shareholders' meeting for approval before entering into any transaction contract and making the payment. However, it is not applicable for the transaction of the Company with its parent company or subsidiary, or the transaction between its subsidiaries.

The calculation of the transaction amounts in the Article 5, paragraph 2 and the previous paragraph shall be done in accordance with Article 31, paragraph 2 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and "within the preceding year" as used herein refers to the year preceding the date of event of the current transaction. Items that have been submitted to the shareholders' meeting and the Board of Directors for approval and acknowledged by the Audit Committee in accordance with these Procedures need not be counted toward the transaction amount.

III. Acquire real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

- (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- (2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.
- (3) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land



and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

- (4) When Company 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 the (1) and (2) of this paragraph shall also engage a CPA to check the appraisal and render a specific opinion.

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 the second paragraph, and the preceding four subparagraphs of this paragraph do not apply:

- (1) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
- (2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
- (3) The real property 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.
- (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% of the issued shares or authorized capital.

IV. When the results of a Company's appraisal conducted in accordance with the (1) and (2) of the preceding Paragraph are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 5. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  1. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are

valued in excess of the actual transaction price. The “Reasonable construction profit” shall be deemed the average gross operating profit margin of the related party’s construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

- (2) Where the Company 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.

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

- V. Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the paragraph 3 and 4 of this Article are uniformly lower than the transaction price, the following steps shall be taken:

- (1) 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 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 1 of the Securities and Exchange Act shall

be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.

- (2) Audit Committee shall comply with Article 218 of the Company Act.
- (3) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

When the Company has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

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

## Article 6 I. Trading Principles and Strategies

### (1) Types of Derivatives

"Derivatives": Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes, or other interests. 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.

### (2) Operating or Hedging Strategies

The Company shall engage in derivative product trading for the purpose of hedging, and should choose the instruments to hedge interest rate and exchange rate risks arising from the Company's business operations as much as possible. In addition, the counter-parties should be banks with high credit ratings and with whom the Company normally has business relationships in order to avoid credit risk from occurring.

### (3) Segregation of Duties

#### 1. Board of Directors

- [1] Approve type of derivatives trading.
- [2] Approve total trading amount.

## 2. Finance department

- [1] Draft strategy for derivatives trading to hedge the risk of market price fluctuations.
- [2] Execute the transactions according to the authorized authority and the formulated strategy.
- [3] Calculate risk exposure, and evaluate profit and loss periodically.
- [4] Assign traders and confirmation personnel as necessary. The traders are responsible for making transactions; confirmation personnel are responsible for confirming transactions with counterparties.
- [5] Report to the Board of Directors or to an executive officer who is not responsible for the trading or decision-making thereof periodically.
- [6] Carry out bookkeeping and maintain supporting documents according to GAAP.

## 3. Audit office

Understand the appropriateness of the internal control of derivatives trading and examine whether the trading has followed the operating procedures. prepare audit reports. Report to the Audit Committee if significant deficiencies are found.

### (4) Performance assessment

The performance assessment shall be conducted based on the Company's carrying foreign exchange cost, and the income generated from financial derivatives trading.

### (5) Total transaction amount and limit of loss

#### 1. Total contract amount

##### [1] Transactions for hedging

The Company engages in derivative transactions for the purpose of hedging against risks and not for the purpose of creating profit. Therefore, based on actual transactions, total balance of the overall hedging contract shall be no more than the hedging demand derived from identifiable foreign currency commitments and substantial transactions.

##### [2] Transactions for particular purposes

Based on forecast market changes, the Finance Dept. may prepare strategies as required and implement them upon approval of the Chairman and General Manager. The limit on transactions shall be NT\$100 million. Substantial transactions shall be reported to the Audit Committee and Board of Directors subsequently.

2. Determination of the limit on loss

The Company determines the limit on loss of financial derivatives in the following manners:

Limit on loss	All contracts	Individual contract
Transactions for hedging	15%	20%
Transactions for particular purposes	10%	5%

Where the loss has attained the limit on all contracts or of an individual contract, the authorized personnel shall discuss with the senior management designated by the Board of Directors and submit a written report on the responsive measures to mitigate the loss and impact posed to the Company. Upon approval of the Chairman, the authorized personnel shall take the responsive measures per the resolution, and report the same to the Audit Committee and Board of Directors subsequently.

II. Risk management measures

- (1) Credit risk: The transaction counterparties are limited to banks with higher credit ratings and the Company's correspondent banks, which are able to provide the necessary level of professional advice.
- (2) Market risk: It is necessary to assess the potential changes in market factors prior to financial derivatives trading, and review certain profit and income information through clear operating procedures and management to control market risk.
- (3) Liquidity risk: In order to ensure liquidity, the banks which the Company is trading with shall be equipped with sufficient equipment, information and trading functions, and allowed to engage in transactions in any market.
- (4) Cash flow risk management: In order to ensure the stability of the Company's working capital, the source of capital for the derivative transactions carried out by the Company shall be limited to its own capital. Meanwhile, the transaction amount shall take into account the cash income and expenditure forecast for next three months.
- (5) Operational risk: The execution of transactions shall strictly follow the authorized quota and operating procedures to avoid any operational risks.
- (6) Legal risk: Any instruments to be executed with banks shall be executed only upon review by the Finance Dept. to avoid any legal risks.

- (7) Product risk: The internal traders and correspondent banks shall possess complete and accurate professional knowledge about financial instruments, with banks also required to fully disclose relevant risks, in order to prevent losses caused by misuse of financial instruments.
- (8) Cash settlement risk: In addition to complying with the authorized amount, the authorized personnel shall pay attention to the Company's cash flow to ensure that there is enough cash to make payment at the time of settlement.
- (9) Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- (10) Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report directly to the members of the board or senior managers who are not responsible for decisions relating to transactions or positions.

### III. Internal audit system

The internal auditors shall periodically make a determination on the suitability of the internal controls on derivative transactions, conduct a monthly audit on compliance with the procedures for engaging in derivative transactions, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

### IV. Periodic assessment

- (1) Transactions for hedging: The performance is evaluated based on the income generated from financial derivatives transactions at Company's carrying amount and at least twice per month. Meanwhile, the evaluation report shall be submitted to the senior management personnel authorized by the Board of Directors.
- (2) Transactions for particular purposes: The performance is evaluated based on the actual income generated and at least twice per month. Meanwhile, the evaluation report shall be submitted to the senior management personnel authorized by the Board of Directors.

### V. The supervision and management policy adopted by the Board of Directors with respect to derivative transactions:

- (1) The Board of Directors shall designate senior management personnel to pay continuous attention to supervision and control of derivative transaction risks in the following manners:

- [1] Periodically evaluate the risk management measures currently employed, ensuring they remain appropriate and are conducted in compliance with the Procedures.
  - [2] When irregular circumstances are found in the review of transactions and income, appropriate measures shall be adopted, with a report immediately submitted to the Board of Directors. Independent Directors, shall be present at the meeting and express an opinion.
  - (2) Periodically evaluate whether derivative transaction performance is consistent with established operational strategies and whether the risk undertaken is within the Company's permitted scope of tolerance.
  - (3) The Company shall report to the latest Board of Directors' meeting after it authorizes relevant personnel to handle derivative transactions in accordance with its procedures for engaging in derivatives trading.
- VI. The Company, when engaging in derivative transactions, shall establish a log book to record the type and amount of each derivative transaction, along with Board of Directors approval dates, and the matters required to be carefully evaluated under Paragraph 4 and Paragraph 5.

Article 7. Procedure for participation in mergers, demergers, acquisitions or transfers of shares

- I. When participating in mergers, demergers, acquisitions or transfers of shares, the Company shall, prior to convening the Board of Directors' meeting to resolve on the matter, engage a CPA, attorney-at-law, or securities underwriter to give an opinion on the reasonableness of the share swap ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which the Company directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
- II. When participating in mergers, demergers, acquisitions or transfers of shares, the Company shall prepare a public report to shareholders detailing important contractual contents and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it

along with the expert opinion referred to in the preceding paragraph 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 the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Further, 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.

- III. When participating in a merger, demerger, or acquisition, the Company 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 FSC is notified in advance of extraordinary circumstances and grants consent. When participating in a transfer of shares, the Company shall convene a Board of Directors' meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

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 containing the following information and retain it for 5 years for future reference.

- (1) Personal profile: Including the occupational titles, names, and ID card No. (or passport No. in the case of foreign nationals) of all persons involved in the planning or execution of any mergers, demergers, acquisitions, or transfers of another company's shares prior to disclosure of the information.
- (2) Dates of material events: Including the execution 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.



- (3) Important documents and minutes: Including mergers, demergers, acquisitions, and transfers of shares, plans to do so, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors' meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively 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 Subparagraphs 1 & 2 of the preceding paragraph to the FSC for future reference.

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 (companies) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the requirements about the retention period of written record and time limit of disclosure via the Internet-based information system referred to in this paragraph.

- IV. Every person participating in or privy to information on a merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose such information prior to public disclosure and may not trade, in their own name or under the name of another person, any stock or other equity security of any company related to the plan for mergers, demergers, acquisitions, or transfers of shares.
- V. When participating in a merger, demerger, acquisition, or transfer of shares, the Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the following circumstances, in which case it shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
  - (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
  - (2) An action, such as a disposal of major assets, that affects the Company's financial operations.

- (3) An event, such as a major disaster or major change in technology, that affects the Company's shareholder equity or share price.
  - (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.
  - (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - (6) Other terms and conditions that the contract stipulates may be altered and that have been publicly disclosed.
- VI. The contract 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:
- (1) Handling of breach of contract.
  - (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.
  - (3) The amount of treasury stock that participating companies are allowed to buy back after the base date for calculating the share exchange ratio, and the principles for handling thereof.
  - (4) The manner of handling changes in the number of participating entities or companies.
  - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
  - (6) Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.
- VII. If, after public disclosure of the information, any company participating in the merger, demerger, acquisition, or transfer of shares intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed for said procedure—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.

- VIII. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by Paragraph 3, Paragraph 4 and Paragraph 7 of this provision.

#### Article 8. Operating Procedure

- I. The execution units of the Company's real estate and other fixed assets are the Admin Dept. and requesting department. The execution unit for other assets is the Finance Dept. Article 6 herein shall apply to the derivatives trading.
- II. Assets may be acquired subject to approval granted in accordance with the "Level of Authority" Article 6 herein shall apply to the derivatives trading.
- III. The related operating procedures for acquisition and disposal of assets shall follow the Company's internal control systems, such as the property management regulations and fund management regulations. If any material violation is discovered, the management and organizers shall be disciplined, if necessary, and the Audit Committee shall be notified in writing immediately.
- IV. Professional appraisers and their officers, certified public accountants, attorneys-at-law, and securities underwriters that provide the Company with professional opinions shall not be a related party of any party to the transaction.
- V. Hierarchy of authorization

Any acquisition or disposal of assets amounting to NT\$10 million or less shall be subject to approval by the General Manager, while any acquisition or disposal of assets more NT\$10 million shall be subject to approval by the Chairman. An acquisition or disposal amounting to more than NT\$300 million shall be reported to the Board of Directors, and the results shall be reported to a shareholders' meeting for future reference. Article 6 "Total transaction amount and limit of loss" shall apply to derivate transactions.

- Article 9. The deadline and information that should be disclosed and filed for the public announcement and filing procedure

- I. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:
- (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 % or more of paid-in capital, 10 % or more of the Company's total assets, or NT\$300 million or more. provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
  - (2) Merger, demerger, acquisition, or transfer of shares.
  - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
  - (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:
    - [1] For company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
    - [2] For company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
  - (5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.
  - (6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 %

or more of the Company's paid-in capital or NT\$300 million or more; provided, this shall not apply to the following circumstances:

- [1] Trading of domestic government bonds or foreign government bonds with a credit rating not lower than the sovereign rating of Taiwan.
- [2] Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

- (1) The amount of any individual transaction.
- (2) The cumulative transaction amount of acquisitions or disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- (3) The cumulative transaction amount of acquisitions or disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- (4) The cumulative transaction amount of acquisitions or 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 these Regulations need not be counted toward the transaction amount.

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

- II. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding paragraph, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

- (1) Change, termination, or rescission of a contract signed in regard to the original transaction.

- (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- (3) Change to the originally publicly announced and reported information.

Article 10. The subsidiaries of the Company shall comply with the following regulations:

- I. A subsidiary shall establish the "Asset Acquisition or Disposal Procedures" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". After being approved by the Board of Directors of the subsidiary, it shall be submitted to Board of Directors of the parent company. The same applies when the procedures are amended.
- II. When a subsidiary acquires or disposes of assets, it should also comply with the Company's regulations.
- III. Information required to be publicly announced and reported in accordance with the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies on acquisitions or disposals of assets by a public company's subsidiary that is not itself a public company shall be reported by the public company.
- IV. In the public announcement and filing standards for subsidiaries, the term "20% of the Company's paid-in capital or 10% of the Company's total assets" refers to the parent company's paid-in capital or total assets.

Article 11. Penalty

Any of the Company's employees who undertake the acquisition or disposal of assets in violation of the Procedures shall be subject to periodical performance assessment in accordance with the Company's personnel management regulations and employee handbook, with discipline subject to the materiality of the case

Article 12. Other notes

- I. Where the items required to be disclosed are found omitted at the time of disclosure and required to be corrected, all the items shall be again publicly announced and reported in their entirety within two days inclusively from the date of learning of such omission.
- II. The Company shall, upon acquisition or disposal of assets, keep all relevant contracts, meeting minutes, log books, appraisal reports and professional opinions, where they shall be retained for 5 years except where another act provides otherwise.

Article 12-1. For the calculation of 10% of total assets 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 NT\$10, for the calculation of transaction amounts of 20 % of paid-in capital under Article 4, Article 5 and Article 9 herein, 10 % of equity attributable to the owners of the parent shall be substituted; for calculations herein regarding transaction amounts relative to paid-in capital of NT\$10 billion, NT\$20 billion of equity attributable to owners of the parent shall be substituted.

Article 13. These Procedures shall be approved by the Audit Committee and then resolved by the Board of Directors, and shall be submitted to the shareholders' meeting for approval; the same applies when the procedures are amended.

If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Audit Committee or the Board of Directors meeting.

Date of establishment: April 26, 2007

The first amendment was made on August 9, 2007.

The second amendment was made on June 16, 2009.

The third amendment was made on June 18, 2010.

The fourth amendment was made on June 19, 2012.

The fifth amendment was made on June 13, 2013.

The sixth amendment was made on June 13, 2014.

The seventh amendment was made on June 09, 2015.

The eighth amendment was made on June 08, 2017.

The ninth amendment was made on June 13, 2019.

The tenth amendment was made on June 11, 2021.

The eleventh amendment was made on June 17, 2022.

The twelfth amendment was made on June 16, 2023.