

# **WT Microelectronics Co., Ltd.**

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

The 13<sup>th</sup> amendment was made in the general shareholders' meeting on Mar 27, 2020

### **Chapter 1 General Principles**

**Article 1: Regulatory Basis**

The Procedures are established in accordance with Article 36-1 of the Securities and Exchange Act of the Republic of China and the related regulations in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" of the Financial Supervisory Commission (hereinafter "FSC").

**Article 2: Scope of Assets**

The term "assets" as used in the Procedures applies to the following:

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

**Article 3: Definition of Terminology**

Terms used the Procedures are defined as follows:

- 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 variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.  
The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law:  
Refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act or other acts, or to transfer shares to another company through issuance of new shares of its own (hereinafter referred to as "transfer of shares") as pursuant to Article 156-3 of the Company Act.
- III. Related party or subsidiary:

As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- IV. Professional appraiser:  
Refers to a real property appraiser or other persons duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence:  
Refers to the dates of contract signing, payment, consignment trade, transfer, board meeting resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. For investments for which approval of the competent authority is required, the earlier of the above dates or the date of receipt of approval by the competent authority shall apply. For investments for which approval of the competent authority is required, the earlier of the above dates or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment:  
Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. Total assets:  
Refers to 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.
- VIII. Terms not defined in the Procedures shall be pursuant to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" established by the competent authorities or relevant laws.

## **Chapter 2 Assessment and Operating Procedures**

### **Section 1 Evaluation Procedures**

#### **Article 4: Means of Price Determination and Reference Materials**

- I. Acquisition or disposal of securities traded on domestic or foreign stock exchanges or over-the-counter (hereinafter "OTC") exchanges shall be processed in accordance with the prevailing prices, and the authorized unit shall execute the acquisition or disposal in accordance with the authorized amount specified in Section 2.
- II. Acquisition or disposal of securities not traded on domestic or foreign stock exchanges or OTC exchanges shall be based on the book value per share, profitability, future development potential, or opinions of a certified public accountant (CPA), and the price shall be determined through price comparison and negotiation. The authorized unit shall execute the acquisition or disposal in accordance with the authorized amount specified in Section 2.
- III. The acquisition or disposal of real property, equipment, or right-of-use assets thereof shall take into consideration the publicly announced current value, assessed value, and the actual transaction price of nearby real properties. The transaction price shall be determined through price comparison, negotiation or bidding. It shall be approved in accordance with the authorized amount and level specified in Section 2. After assets are acquired, they shall be registered, managed, and used in accordance with the Company's regulations. Where the Company appoints an expert to provide an opinion in accordance with the

Procedures, it shall also appoint a professional price appraisal institution or obtain an opinion from a CPA.

Article 5: Expert Opinions

Where the Company obtains an appraisal or an opinion from a CPA, attorney, and securities underwriter, the appraisal, and its appraiser, CPA, attorney, or securities underwriter shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for the 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 the completion of the service of the sentence, since the expiration of a suspended sentence period, or since a pardon was received.
- II. May not be a related party or de facto related party of any party of the transaction.
- III. If the Company is required to obtain appraisal reports from 2 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 aforementioned personnel shall meet the self-regulatory rules of association and comply with the following:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When executing a case, they shall appropriately plan and execute adequate working procedures in order to produce a conclusion and use it 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 data sources used, the parameters, and the information as the basis for issuance of the appraisal report or opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion that they have evaluated and found that the information used is appropriate, reasonable and that they have complied with applicable laws and regulations.

**Section 2 Limit and Level of Authority Delegated**

Article 6: Limit of Authority Delegated

- I. Total amounts of real property and right-of-use assets thereof or securities acquired by the Company and its subsidiary not for business use and limits on individual securities are as follows:
  - (I) The total amount of real property and right-of-use assets thereof acquired for non-business use by the Company shall be less than or equal to 30% of the Company's net value. The total amount of real property and right-of-use assets thereof acquired for non-business use by each of its subsidiaries shall be less than or equal to 30% of the Company's net value.
  - (II) The maximum amount of investment in securities by the Company may not exceed 300% of the Company's net value. The maximum amount of investment in securities by each of its subsidiaries may not exceed 100% of the Company's net value.
  - (III) The maximum amount of investment in individual securities by the

Company may not exceed 300% of the Company's net value. The maximum amount of investment in individual securities by each of its subsidiaries may not exceed 100% of the Company's net value.

- II. The scope of investment and the benefit analysis of the Company and each of its subsidiaries shall be processed in accordance with related regulations regarding investment cycles in the Company's internal control system.
- III. The total investment amount of the Company or its subsidiaries in monetary funds with smaller risks and profits shall not exceed 100% of the Company's paid-in capital.

Article 7: Levels of authorization

- I. Level of authority for the acquisition or disposal of real property and right-of-use assets or securities
  - (I) The Company's or each of its subsidiaries' acquisition or disposal of real property and right-of-use assets with a transaction amount of less than or equal to NT\$10 million shall meet the approval authority of the Company ; where the transaction amount is greater than NT\$10 million and less than or equal to NT\$50 million, the approval of the CEO shall be required; where the transaction amount is greater than NT\$50 million and less than NT\$300 million, the approval of the Chairman shall be required; where the transaction amount reaches NT\$300 million, the approval of the Board of Directors shall be required.
  - (II) The Company's or each of its subsidiaries' acquisition or disposal of securities traded on the Taiwan Stock Exchange Corporation (TWSE) or Taipei Exchange (TPEX) with a transaction amount of less than or equal to NT\$50 million shall be submitted to the CEO for approval; where the transaction amount is greater than NT\$50 million and less than NT\$300 million, the approval of the Chairman shall be required; where the transaction amount is greater than or equal to NT\$300 million the approval of the Board shall be required.
  - (III) The Company's or each of its subsidiaries' acquisition or disposal of securities not traded on TWSE or TPEX with a transaction amount of less than or equal to NT\$50 million shall be submitted to the CEO for approval; where the transaction amount is greater than NT\$50 million and less than NT\$300 million, the approval of the Chairman shall be required; where the transaction amount is greater than or equal to NT\$300 million the approval of the Board shall be required.
- II. Acquisition or disposal of equipment or right-of-use assets thereof  
The Company's or each of its subsidiaries' acquisition or disposal of equipment or right-of-use assets thereof with a transaction amount of less than or equal to NT\$10 million shall meet the approval authority of the Company ; where the transaction amount is greater than NT\$10 million and less than or equal to NT\$50 million shall be submitted to the CEO for approval; where the transaction amount is greater than NT\$50 million and less than NT\$300 million, the approval of the Chairman shall be required; where the transaction amount is greater than or equal to NT\$300 million, the approval of the Board shall be required.
- III. Acquisition or disposal of intangible assets, right-of-use assets thereof, or memberships
  - (I) The Company's or each of its subsidiaries' acquisition or disposal of memberships with a transaction amount of less than or equal to NT\$2 million shall be submitted to the CEO for approval; where the transaction

amount is greater than NT\$2 million and less than or equal to NT\$20 million, the approval of the Chairman shall be required; where the transaction amount is greater than NT\$20 million, the approval of the Board shall be required.

- (II) The Company's or each of its subsidiaries' acquisition or disposal of intangible assets or right-of-use assets thereof with a transaction amount of less than or equal to NT\$5 million shall meet the approval authority of the Company ; where the transaction amount is greater than NT\$5 million and less than or equal to NT\$50 million shall be submitted to the CEO for approval; where the transaction amount is greater than NT\$50 million and less than NT\$300 million, the approval of the Chairman shall be required; where the transaction amount is greater than or equal to NT\$300 million, the approval of the Board shall be required.

**Section 3 The Implementation Unit**

Article 8: The Implementation Unit

The Company's or each of its subsidiaries' acquisition and disposal of investments in securities, real property, equipment, or right-of-use assets thereof, memberships, and intangible assets shall be processed by the finance unit, stock services unit, accounting unit, or administrative unit.

**Chapter 3 Transaction Process**

**Section 1 Acquisition or Disposal of Assets**

Article 9: Real Property, Equipment, and Right-of-Use Assets Thereof

Acquisition or Disposal of Real Property, Equipment, and Right-of-Use Assets Thereof  
Where the Company or each of its subsidiaries acquires or disposes of real property, equipment, and right-of-use assets thereof and the transaction amount reaches 20% of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, engaging others to build on its own land or on rented land, or acquiring or disposing of machinery equipment or right-of-use assets thereof for business use, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall comply with the following provisions:

- I. Where due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted to the Board for approval in advance; the same procedure shall be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- II. Where the transaction amount is NT\$1 billion or more, appraisals from at least 2 professional appraisers shall be obtained.
- III. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - (I) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
  - (II) The discrepancy between the appraisal results of 2 or more professional appraisers is 10% or more of the transaction amount.

- IV. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; 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.

Article 10: Securities

The Company's or each of its subsidiaries' acquisition or disposal 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 CPA, for reference of the appraisal of the transaction price.

If the transaction amount of a company's acquisition or disposal of securities reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company shall engage a CPA 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):

- I. Securities obtained via cash capital contribution for the establishment or fundraising of companies in accordance with the laws where the rights represented by the securities obtained are equivalent to the proportion of cash capital contribution.
- II. Participation in the subscription of securities issued at par value by companies for capital cash increase of the underlying company in accordance with relevant regulations.
- III. Participation in subscription of securities issued by an investee which the Company, directly or indirectly, owns 100% of shares for cash capital increase or participation in cross subscription of securities issued by 100%-owned subsidiaries.
- IV. Securities listed on TWSE or TPEX and securities traded on the emerging market.
- V. Domestic government bonds or bonds under redemption and resale.
- VI. Public offered funds.
- VII. Stocks of listed companies acquired or disposed of under the TWSE or TPEX bidding rules or auction rules.
- VIII. Participation in subscription of securities issued by a domestic public company for capital cash increase or subscription of domestic corporate bonds (including bank debentures) for which the securities are not private placement.
- IX. Subscription of domestic funds via private placement before the establishment of the fund in accordance with Paragraph 1 of Article 11 of the Securities Investment Trust and Consulting Act or subscription or redemption of domestic private placement funds for which the trust contract specifies an investment strategy with the same investment scope as public offered funds except for securities credit transactions and unsettled positions held.

Article 11: Intangible Assets, Right-of-Use Assets Thereof, or Memberships

If the transaction amount of the company's or each of its subsidiaries' acquisition or disposal of intangible assets or its right-of-use assets or memberships reaches 20% of the Company's paid-in capital or NT\$300 million or more, except for the transaction with a domestic government agency, the company or its subsidiaries shall engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.

Article 12: Calculation of Major Asset Transaction

The calculation of the transaction amounts in the preceding 3 articles shall be done in accordance with Paragraph 2 of Article 30 herein. "Within the preceding year" as used in the procedures 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 13: Assets Auctioned by the Court

Article 6 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

## **Section 2 Related Party Transactions**

Article 14: Procedures, Assessment, and Counterparties

When the Company or each of its subsidiaries engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that provisions in the sections of the Procedures and 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 accordance with the aforementioned sections of the Procedures.

The calculation of the transaction amounts shall be done in accordance with Article 12 herein.

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

Article 15: Information to be Submitted to the Audit Committee and the Board

When the Company or each of its subsidiaries 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% 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 domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board and recognized by the Supervisors:

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reason for choosing the related party as a transaction counterparty.
- III. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Articles 16 and 17.
- IV. 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.
- V. Monthly cash flow forecasts for the year commencing from the anticipated month of the signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the fund utilization.
- VI. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- VII. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the following transactions between the Company and its subsidiaries, the Company's Board may delegate the chairman to decide such matters and have the decisions subsequently submitted to and ratified by the next board 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. When proposed for discussion by the board of directors, the Company 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 meeting.

Items submitted to the Audit Committee for discussions shall require the approval of half of all members of the Audit Committee, and be submitted to the Board for resolution. The resolution of the Audit Committee shall be recorded in the minutes of the board meeting and provisions Article 4, Paragraph 3 and Paragraph 4 shall apply mutatis mutandis to the resolution.

When the company or each of its subsidiaries that are not domestic public companies intend to engage in a transaction of Paragraph 1, where the transaction amount reaches 10% or more of the company's total assets, the company or its subsidiaries may not proceed to enter into a transaction contract or make a payment until all matters of paragraph 1 have been approved by shareholders' meeting. However, this provision shall not apply to transactions between the company and subsidiaries, or between the subsidiaries.

The calculation of the transaction amounts referred to in the paragraph 1 and preceding paragraph shall be made in accordance with Article 30, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting, board of directors and recognized by the supervisors need not be counted toward the transaction amount.

Article 16: Evaluation of the Transaction Costs

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

- I. Based upon the related party's transaction price plus necessary interest in funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on the borrowing in the year the Company purchases the property; it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. If the related party has previously created a mortgage on the property as security for a loan, 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.

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.

When acquiring real property or the right-to-use assets thereof from a related party,



the Company shall appraise the cost of the real property or the right-to-use assets thereof in accordance with Sections 1 and 2 of this Article and shall also engage a CPA to verify and provide a specific opinion on the appraisal.

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 preceding section, and the preceding three paragraphs shall not apply:

- I. The related party acquired the real property or right-of-use assets thereof through inheritance or as a 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 the signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.
- IV. The real property right-of-use assets for business use are acquired by the Company or its subsidiaries, or by its subsidiaries in which the Company, directly or indirectly, holds 100% of the issued shares or authorized capital.

Article 17: Expert Opinions

When the results of the Company's or each of its subsidiaries' appraisal conducted in accordance with Paragraphs 1 and 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in accordance with Article 18. 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, this restriction shall not apply:

- I. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (I) 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.
  - (II) 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.
- II. Where the Company or each of its subsidiaries acquiring real property or obtaining real property right-of-use assets through leasing or 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 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.

**Article 18: Processing Procedures for Transactions with Unreasonable Prices**

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

- I. The Company shall set aside a special reserve in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property or right-of-use asset thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in the Company, the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
- II. The Supervisors shall perform their duties in accordance with Article 218 of the Company Act.
- III. 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.

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

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

**Section 3 Engaging in Derivatives Transactions**

**Article 19: Trading Principles and Strategies**

- I. Transaction categories:  
"Derivatives," as used in the Procedure, include forward contracts, options, futures, interest or currency swaps, and deposit bond transactions.
- II. Management and hedging strategy:  
The Company's purpose for managing derivatives transactions or hedging is as follows:
  - (I) For non-transaction purposes: Refers to derivatives transactions conducted to hedge risks for assets or liabilities currently held or risks in anticipated transactions.
  - (II) For transaction purposes: Refers to all transactions other than those conducted for "non-transaction purposes."
- III. Division of powers and responsibilities:

- (I) Finance unit: Responsible for interest and exchange rate operations and management. The finance unit shall collect market information on interest and exchange rate and study trends and risks. It shall be familiar with financial products and operating skills and shall manage the Company's interest and exchange rate positions and hedge against such risks in accordance with the Company's policies and authorization.
  - (II) Accounting unit: Retain control of the Company's interest and exchange rate positions and periodically settle accounts on realized and unrealized gains and losses to provide the finance unit with information for hedging operations.
- IV. Performance evaluation:  
The accounting unit shall regularly assess net profit and loss and provide evaluation reports on interest and exchange rate positions to the authorized supervisor as the basis for management and performance evaluation and adjustments and improvements of the hedging strategy.
- V. Transaction credit limit and upper limit on losses:
- (I) Transaction credit limit
    - 1. For non-transaction purposes
      - (1) Foreign exchange hedging credit limit: The limit shall be the foreign exchange positions generated in the Group's operations and transactions in each month (including net positions expected to be generated in future operations).
      - (2) Limit for financial hedging transactions: As a principle, the positions shall not exceed the Group's total liabilities.
    - 2. For transaction purposes  
The limit for other financial transactions shall be less than or equal to US\$1 million (or the equivalent in other currencies).
  - (II) Upper limit on losses
    - 1. For non-transaction purposes  
The losses resulting from the transactions of hedging products in aggregate or individual contracts shall be restricted to 10% of the Group's total liabilities.
    - 2. For transaction purposes  
Realized or unrealized losses from non-hedging product transactions may be less than NT\$10 million. Realized or unrealized losses from individual derivative product transaction contracts may be less than NT\$8 million.
- VI. Limits of authorization:
- (I) For non-transaction purposes:
    - 1. Chairman: The amount of a single transaction exceeds US\$50 million.
    - 2. CEO: The amount of a single transaction exceeds of US\$30 million and is not more than US\$50 million.
    - 3. Vice President of Finance: The amount of a single transaction is not more than US\$30 million.

The Chairman is authorized to provide adjustments for the aforementioned authorized amount in response to changes in the environment and subsequently report to the Board.
  - (II) For transaction purposes: All transactions shall require the approval of the Chairman.

Article 20: Risk Management Scope

- I. Credit risk management  
Transaction counterparties shall be restricted to banks that conduct transactions with the Company or banks with reputable credit that is able to provide professional information.
- II. Market risk management  
The management shall be focused on the public foreign exchange market between the bank and customers.
- III. Liquidity risk management  
The Company shall prioritize financial products with higher liquidity. The transaction bank must retain sufficient information and the capability to conduct transactions in any markets at any time.
- IV. Cash flow  
The Company shall regularly evaluate its cash flow to understand the reasonableness of fund usage.
- V. Operating risk management  
Transaction personnel shall strictly adhere to the authorized limit and operating procedures to reduce risks in operations.
- VI. Legal risk management  
All documents signed with financial institutions shall be reviewed by the legal affairs unit before signature. All legal issues derived from such documents shall be processed by legal consultants appointed by the Company.

Article 21: Risk Management Measures

When engaging in derivatives transactions, the Company or each of its subsidiaries shall uphold its principle for stable and secure operations and meet the following internal control requirements:

- I. Personnel engaged in derivatives trading may not serve concurrently in other operations such as verification and settlement.
- II. Personnel responsible for risk measurement, monitoring and control shall be assigned to a 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.
- III. 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. However, evaluation reports shall not be required if the Company did not engage in derivatives transactions.
- IV. Finance and accounting personnel shall regularly verify transaction statements and total amounts with the transaction bank.
- V. Personnel conducting transactions shall pay close attention to whether the total transaction amount exceeds the credit limit specified in the Procedures. They shall also notify related personnel to process follow-up operations.

Article 22: Supervision and Management

The Board of the Company or each of its subsidiaries shall supervise and manage derivative transactions in accordance with the following principles:

- I. Appoint senior managers to monitor and control the risks of derivatives at all times.
- II. They shall review the performance of derivative transactions on a regular basis

to ensure that it is consistent with the business strategies of the Company and that the risks involved are within the Company's risk tolerance.

The senior managers authorized by the Board shall observe the following principles when managing derivative transactions:

- I. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".
- II. Monitor trading activities, gains, and losses, while executing necessary response measures and reporting to the Board upon discovering any abnormalities. Independent Directors, if available, should be present at board meetings to express opinions.

Derivatives transactions that are carried out by personnel who have been authorized under the company's derivatives procedures must be reported at the next board of directors meeting.

**Article 23: Internal Auditing System**

The Company or each of its subsidiaries shall establish a log book for its derivative transactions for audit purposes, which shall contain details about the type and amount of the derivative transactions and the date resolved by the Board. The logbook shall also include the "other items to be evaluated" prescribed in Subparagraph 3 of Article 21 and Subparagraphs 2 of Paragraph 1 and Subparagraphs 2 of Paragraph 1 of Article 22 herein.

The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

**Section 4 Mergers, Demergers, Acquisitions, and Transfer of Shares**

**Article 24: Expert Opinion**

When the Company or each of its subsidiaries engages in mergers, demergers, acquisitions or assignment of shares, prior to calling a Board meeting for approval, the Audit Committee shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Audit Committee the Board for approval by resolution. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of the Company's merger of a subsidiary in which it 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.

**Article 25: Processing Procedures**

When the Company or each of its subsidiaries participates in a merger, demerger, acquisition, or transfer of shares, it shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

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 Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction unless another act provides otherwise or the 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, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:

- I. Basic information of personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to the disclosure of the information.
- II. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board meeting.
- III. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board meetings.

When participating in merger, divestment, acquisition, or share exchange, the Company shall, within 2 days from the date of passage of the board resolution, submit to the FSC for recordation the information required in subparagraphs 1 and 2 of the preceding paragraph. The information shall be compiled according to the specified format and transmitted via the Internet.

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 shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

Article 26: Confidentiality

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

Article 27: Modifications of the Share Exchange Ratio or Acquisition Price

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

acquisition, or transfer of shares:

- I. 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.
- II. An action, such as disposal of major assets, that affects the company's financial operations.
- III. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- IV. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
- V. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 28: Items to be Recorded in the Contract

The contract for participation by the Company or each of its subsidiaries in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

- 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 record 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. Preliminary progress schedule for plan execution, and anticipated completion date.
- VI. The scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 29: Other Important Matters

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

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 25, Article 26, and this Article.

#### **Chapter 4 Public Announcement and Regulatory Filing Procedures**

Article 30: Public Announcement and Regulatory Filing Standards

Under any of the following circumstances, the Company, when 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:

- I. 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. This shall not apply to the transaction 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 adopted by the Company.
- IV. 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:
  - (I) The company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
  - (II) The company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- V. Acquisition or disposal by the Company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.
- VI. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. This shall not apply to the following circumstances:
  - (I) Trading of domestic government bonds or trading of foreign government bonds with credit rating higher than Taiwan's sovereign rating.
  - (II) 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:

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

"Within one year," as used above, refers to one year dating back from the date of occurrence of the fact. Amounts that have already been announced in accordance with the Procedures may be excluded from the calculation.



The Company shall compile monthly reports on the status of derivative transactions 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 transmitted to the information reporting website specified by the FSC before the 10th of each month using the required format.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such 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, where they shall be retained for 5 years, unless another law states otherwise.

**Article 31: Other Precautionary Matters**

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

- 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.

## **Chapter 5 Management of Subsidiaries**

**Article 32: Management of Subsidiaries**

- I. The Company shall ensure that subsidiaries establish the "Procedures for Acquisition or Disposal of Assets" in accordance with related regulations in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". The Procedures of the Company apply to all subsidiaries, so subsidiaries shall be exempt from establishing individual procedures for the acquisition or disposal of assets.
- II. The Company shall ensure that subsidiaries independently verify whether the Procedures for Acquisition or Disposal of Assets they established meet the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and whether the transactions for the acquisition and disposal of assets are processed in accordance with the Procedures.
- III. In the event that the subsidiary is not a publicly listed company, the Company shall, on behalf of the subsidiary, carry out relevant information announcement and reporting as stipulated in the preceding Chapter, if necessary.

With regard to the threshold for announcement or reporting by subsidiaries prescribed in Article 30, Paragraph 1 herein regarding the paid-in capital or total assets, the calculation basis for the threshold shall be the paid-in capital or total assets of the parent company. With regard to the paid-in capital in Article 9 to Article 11, Article 14 and Article 15, the calculation basis shall be the paid-in capital of the subsidiary.

In the case of a subsidiary whose shares have no par value or a par value other than NT\$10-for the calculation of transaction amounts of 20 percent of paid-in capital under these Procedures, 10 percent of equity attributable to owners of the parent shall be

substituted; for calculations under the provisions of these Procedures 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.

## **Chapter 6 Additional Provisions**

### **Article 33: Penalties**

Where related personnel violates the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the FSC or the Procedures, the Company shall impose penalties based on the severity of the violation.

### **Article 34: Amendment Procedures**

The Procedures shall first be approved by the Audit Committee and passed by the Board before it is submitted to the shareholders' meeting for approval and implementation. The same shall apply to any amendment.

When the Procedures for Acquisition or Disposal of Assets are submitted for discussion by the Board, the Company 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 meeting.

Items submitted to the Audit Committee for discussions shall require the approval of a majority of all members of the Audit Committee. If the approval of a majority of all members of the Audit Committee is not obtained, the amendment of 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 meeting.

The terms "all members of the Audit Committee" and "all Directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

### **Article 35: According to the Procedures and other laws and regulations, the Company's acquisition or disposal of assets shall be approved by the Audit Committee before passage by the Board.**

When the transactions for the acquisition or disposal of assets are submitted for discussion by the Board, the Company 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 meeting.

Major transactions of assets or derivatives shall first be approved by a majority of all Audit Committee members and it shall be submitted to the Board for resolution. Article 34, Paragraph 3 and Paragraph 4 shall apply mutatis mutandis to the resolution.