

Management of the Acquisition and Disposal of Assets

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1	-	Article Establishment	2023/9/22
2			
3			
4			
5			
6			
7			
8			
9			
10			

Management of the Acquisition and Disposal of Assets

Section I General Principles

- Article 1 (Purpose)
To establish standardized procedures in relation to the Corporation's acquisition or disposition of assets. The rules and regulations shall meet the legal requirement and make a disclosure of information.
- Article 2 (Implementation of the rules and regulations)
The rules and regulations shall be in accordance with the Article of 36-1 of Securities and Exchange Act of the Republic of China and Regulations Governing the Acquisition and Disposal of Assets by Public Companies of the Republic of China. Except otherwise stated, all other matters shall be conducted by applicable laws and regulations
- Article 3 (Scope of Assets)
- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 - II. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) 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 law.
 - IX. Other major assets.
- Article 4 (Defined Terms)
- I. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term

"forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

- II. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act of the Republic of China.
- III. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers of the Republic of China.
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors' resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- VI. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. The latest financial report: Refers to the acquisition or disposition of asset of which is being audit by a certified public accountant or reviewed financial statements.

Article 5 (Procedures)

- I. Level of Authorizing Amount
 - (I) The Amount for non-operational real estate and securities is limited under the following restriction:
 - 1. Total amount for non-operational real estate purchase may not

exceed 30% of the capital from the latest financial report or net worth (whichever is higher) of this Corporation.

2. Total amount for securities purchase may not exceed 100% of the capital from the latest financial report or net worth (whichever is higher) of this Corporation.
3. Total amount for individual securities purchase may not exceed 100% of the capital from the latest financial report or net worth (whichever is higher) of this Corporation.

(II) The investment amount for subsidiaries is limited under the following restriction:

1. For whom the Subsidiaries is not a specialized in investment, the total amount for non-operational real estate purchase many not exceed 30% of the capital or net worth (whichever is higher) of this Corporation. The total amount for securities purchase may not exceed 100% of the capital or net worth (whichever is higher) of this Corporation. The total amount for individual securities purchase may not exceed 100% of the capital or net worth (whichever is higher) of this Corporation.
2. For whom the subsidiaries are specialized in investment, the total amount for non-operational real estate purchase may not exceed 30% of the total asset of this Corporation. The total amount for securities purchase may not exceed 100% of the total asset of this Corporation. The total amount for individual securities purchase may not exceed 100% of the total asset of this Corporation.

II. Execution Department

The Treasury Management Div. and the Investments Div. are in-charge for any execution in relation to securities investments. For real estates and equipment, the in-charge department will be any division that is either in use or relevant to the real estate and equipment. Other asset that is neither securities investments, real estates nor equipment, shall be executed after a thorough assessment by the relevant department.

III. Transaction Process

Before any submission to the authority department for its approval regarding the acquisition or disposition of assets, the in-charge division shall obtain the reason for the acquisition or disposition, subject matter, counterparty, transfer pricing, payment condition and price that is thorough assessed. All other subjects that are in relation to this shall comply with the rules and regulation of this Corporation's internal control measurement.

Article 6 (Public Announcements and Reporting)

- I. Under any of the following circumstances, this Corporation acquiring or disposing of assets shall publicly announce and report the relevant information on the Financial Supervisory Commission (referred to as the "FSC") designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:
 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of this Corporation's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
 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 this Corporation.
 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 this Corporation whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (2) For this Corporation 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.
 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 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - (1) Trading of government bonds.
 - (2) Trading of bonds under repurchase/resale agreements, or

subscription or redemption of domestic money market funds.

- II. The amount of transactions above shall be calculated as follows:
1. The amount of any individual transaction.
 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
 3. The cumulative transaction amount of real property or right-of-use assets acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

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

When this Corporation 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.

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

Article 7 (Change in the Public Announcements and Reporting)

Where any of the following circumstances occurs with respect to a transaction that this Corporation 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 commencing immediately 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.

Article 8 (Assets Appraisal Procedures)

I. Securities:

This Corporation 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, and if the dollar amount of the transaction is 20 percent of this Corporation's paid-in capital or NT\$300 million or more, this Corporation 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).

II. Real property or equipment:

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

- (I) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
- (II) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction

amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, and 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 percent or more of the transaction amount.
2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

III. Memberships or intangible assets:

Where this Corporation acquires or disposes of memberships or intangible assets and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a 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. The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with paragraph 2, Article 6 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

V. Where this Corporation 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.

Article 9 (Penalty Provision)

When this Corporation's in-charge personnel violate any rules and regulations of acquisition and disposition of the asset, the record will be reflected to its annual personal performance and punishment will be granted upon the seriousness of the violation.

Section II Intercompany Transaction

Article 10 (Unrelated Third Party – External Professionals)

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide this Corporation with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

Article 11 (Assessment Procedures)

When the Company acquires or disposes of assets with related parties, in addition to following the procedures for resolutions set forth in Article 9 and this chapter, as well as evaluating the reasonableness of the transaction conditions, where the transaction amount reaches 10% or more of the Company's total assets, the Company shall attain an appraisal report from a professional appraiser or opinion from a CPA in accordance with Article 8.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with subparagraph 4, Article 8 herein.

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

Article 12 (Operation Process)

When this Corporation intends to acquire or dispose of real property or right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of this Corporation's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, this Corporation may not proceed to enter into a transaction contract or make a payment until the following matters have first been approved by more than half of all audit committee members and then submitted to the board of directors for a resolution (subject to mutatis mutandis application of paragraphs 4 and 5, Article 31):

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reason for choosing the related party as a trading counterparty.
- III. With respect to the acquisition of real property or right-of-use assets from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 13 and Article 15.

- IV. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
- V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- VI. 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.

The transaction amount calculated in the preceding paragraph shall be in accordance with the provisions of paragraph 2, Article 6, and the term "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Upon approval from the board of directors, it need not be counted toward the transaction amount.

The "Delegation of Authority" must be followed prior to acquiring or disposing of equipment or right-to-use assets for business use between the Company and its parent company or subsidiaries, which is subject to approval of the Board of Directors.

If a public company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.

When a matter is submitted for discussion by the board of directors, 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.

Article 13 (Reasonable Assessment on the cost of acquiring real property)

This Corporation that acquires real property or right-of-use assets from a related party shall evaluate the reasonableness of the transaction costs by the following means:

- I. Based upon the Intercompany Transaction's 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 of the Republic of China.

- II. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased 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.

This Corporation that acquires real property or right-of-use assets from a related party and appraises the cost of the real property or right-of-use assets in accordance with paragraph 1 and paragraph 2 shall also engage a CPA to check the appraisal and render a specific opinion.

Whereas one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 12 and the preceding three paragraphs do not apply:

- I. The related party acquired the real property or right-of-use assets through inheritance or as a gift.
- II. 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 to the signing date for the current transaction.
- III. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
- IV. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 14 (Procedures to follow when the appraisals cost of the acquiring real property is lower than the transaction price)

Where this Corporation acquires real property or right-of-use assets from a related party and the results of appraisals conducted in accordance with Article 13 and Article 15 are uniformly lower than the transaction price, the following steps shall be taken:

- I. A special reserve shall be set aside in accordance with the Securities and Exchange Act of the Republic of China, paragraph 1, Article 41 of the Act against the difference between the real property or right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under the Securities and Exchange Act of the Republic of China, paragraph 1, Article 41 of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
- II. Independent directors of the audit committee of this Corporation shall comply with Article 218 of the Company Act.
- III. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

This Corporation that 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 at a premium, or they have been disposed of, 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 this Corporation obtains real property or right-of-use assets 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.

Article 15 (Exceptions when the appraisals cost of the acquiring real property is lower than the transaction price)

When the results of this Corporation's appraisal conducted in accordance with paragraph 1 and paragraph 2 of Article 13 are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 14.

- 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 Article 13, 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 of the Republic of China, whichever is lower.
 - (II) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - (III) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- II. Where this Corporation acquiring real property or renting right-of-use assets from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for 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; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

Section III Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

Article 16 (Expert Advice)

This Corporation that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall

engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

Article 17 (Operating Procedures)

This Corporation 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 paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

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.

Article 18 (Other Matters and Announcement)

This Corporation 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 of Republic of China is notified in advance of extraordinary circumstances and grants consent.

This Corporation 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 of Republic of China is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, shall prepare a full written record of the following information and retain it for 5 years for reference:

- I. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or

implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

- 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 of directors 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 of directors' meetings.

This Corporation market shall, within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is not a public company, this Corporation shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.

Article 19 (Information 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 20 (Alteration in the contract content)

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

- 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 a 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 21 (Contract content)

The contract for participation by this Corporation 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. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 22 (Procedures for alteration of plan)

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.

Article 23 (Plan object is non-public company)

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, this Corporation shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 24, Article 25, and Article 28.

Section IV Additional Provisions

Article 24 (Other)

For the calculation of 10 percent of total assets under these Regulations, 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 of the Republic of China 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 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted; ; for calculations under the provisions of these Regulations 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.

Subsidiaries of this Corporation shall submit the relevant information of the acquisition or disposal of assets to the Corporation for auditing regularly and shall formulate a procedure for acquisition or disposition of assets which in accordance with the current operating requirements. Whereas there is no previous regulations or procedures could be followed, shall be handled in accordance with the provisions of these procedures.

The Auditing Div. should review the assessment report and other related matters provided by the subsidiaries.

Section V Amendment

Article 25 (Responsibilities)

When adopt or amend the procedures, they shall be approved by more than half of all audit committee members and submitted to the board of directors for a

resolution, and then submitted to a shareholders' meeting for approval. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the audit committee.

When the "Management of the Acquisition and Disposal of Assets" is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

If approval of more than half of all audit committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

With respect to this Corporation's acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the audit committee.

When a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of this Article, paragraphs 4 and 5.

Article 26 (Implementation and Amendment)

These rules and any amendments hereto, shall be implemented after adoption by shareholders meetings.

These Rules established in 2023/9/22.

Article 27 (Control Focus)

- I. Whether the acquisition or disposal of assets is handled in accordance with the external laws and regulations as well as the internal control cycle rules.

Article 28 (Information Basis)

- I. Regulations Governing the Acquisition and Disposal of Assets by Public Companies
- II. Securities and Exchange Act
- III. Delegation of Authority

Article 29 (Forms Used)

None