

# **ITE Tech. Inc.**

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

### **Chapter 1      General Principles**

**Article 1**      The Handling Procedures for Acquisition or Disposal of Assets (these Procedures) of the Company is formulated in accordance with the Securities and Exchange Act and relevant regulations of the competent authority for securities. The Company shall follow these Procedures when implementing the acquisition or disposal of assets operations.

**Article 2**      The term “assets” as used in these Procedures shall include the following:

1. Investments in stocks, domestic government bonds, corporate bonds, financial bonds, marketable securities commending funds, depositary receipts, subscription (sell) warrants, beneficiary securities, asset-backed securities and others.
2. Real estate (including land, houses and buildings, investment link real estate, land use rights) and equipment.
3. Membership card.
4. Patent, copyright, trademark, franchise and other intangible assets.
5. Derivatives.
6. Assets acquired or disposed through merger, division, acquisition, or share transfer in accordance with the law.
7. Right-of-use asset
8. Other important assets.

**Article 3**      The terms used in these Procedures shall be defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts whose value is derived from a specific interest rate, financial instrument price, commodity price, foreign exchange rate, price or rate index, credit rating or credit index, or other variables; hybrid contracts combining the aforementioned contracts; or hybrid contracts or structured products containing embedded derivatives, etc.; The term “forward contracts” shall not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) contracts.

2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refer to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act or other laws, or to issue new shares as the consideration for its acquisition of the shares of another company (hereinafter “Transfer of Shares”) in accordance with Paragraph 8 of Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. 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.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of execution of a trade order, date of title transfer, date of Boards of Directors resolutions, or other dates that can confirm the counterpart and transaction amount, whichever date is earlier; provided that, with regard to the investment for which approval of the competent authority is required, the earlier of the aforementioned dates or the receipt date of approval from the competent authority shall apply.
6. Investment in the Mainland area: Refers to the investment in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 4 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. They shall not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of the Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. They shall not be a related party or de facto related party of any party to the transaction.

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

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

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

1. Have not been sentenced to a fixed-term imprisonment of more than one year for violating the Securities and Exchange Law, Company Law, Banking Law, Insurance Law, Financial Holding Company Law, Commercial Accounting Law, or for fraud, breach of trust, embezzlement, forgery of documents, or criminal conduct in business. The announcement is confirmed. However, this does not apply to those who have been executed, the probation period has expired, or three years have passed since the pardon.

2. Circumstances in which the parties to the transaction must not be related parties or have substantial related parties.

3. If the company should obtain valuation reports from two or more professional appraisers, different professional appraisers or appraisers shall not be related or have substantial relationships with each other.

When issuing a valuation report or opinion letter, the personnel mentioned in the preceding paragraph shall handle the following matters:

1. Before accepting a case, you should carefully evaluate your professional capabilities, practical experience, and independence.

2. When reviewing a case, it is necessary to properly plan and implement appropriate operating procedures to form a conclusion and issue a report or opinion based on it; and publish the implemented procedures, collected data and conclusions in the case work paper in detail.
3. The completeness, correctness and reasonableness of the data sources, parameters and information used shall be evaluated item by item, as the basis for issuing valuation reports or opinions.
4. The statement should include the professionalism and independence of the relevant personnel, the information that has been evaluated to be reasonable and correct, and the compliance with relevant laws and regulations.

## Chapter 2     Handling Procedures

### Section 1     General provisions of handling procedures

Article 5     For the assets set forth in Article 2 above except for Subparagraphs 5 and 6, the evaluation and operating procedures for the acquisition or disposal of the assets and the determination procedures and execution units of the transaction conditions shall be as follows:

1. Assets acquired or disposed in order to increase operation and improve service quality shall be handled in accordance with procurement procedures, contract management rules and other regulations.
2. If the Company acquires or disposes of securities and real estate for business expansion or other investment reasons, and the transaction amount exceeds 40% of the paid-in capital or NT\$500 million or more, it must be approved by the Board of Directors and submitted to the relevant departments for implementation. If the transaction amount does not exceed the aforementioned limit but exceeds NT\$100 million or its equivalent, it shall be approved by the chairman and submitted to the relevant departments for implementation in accordance with regulations, and then reported to the Board of Directors for recordation after implementation; if the transaction amount does not exceed NT\$100 million or its equivalent, the relevant department shall submit the application for approval and execution subject to the authorization rules under the Company's procurement operating procedures, contract management rules and other regulations.
3. The total amount of real estate or marketable securities acquired by the Company and its subsidiaries that are not for business use and the limits of investment in individual

marketable securities shall be as follows, provided that the total amount shall not exceed the relevant provisions of the Company Act:

- (1) The total amount for the purchase of real estate not for business use shall be limited to 30% of the Company's paid-in capital.
  - (2) When the Company is a limited liability shareholder of another company, the total amount of all its investments shall not exceed 100% of the shareholders' equity in the Company's most recent financial report. If the subsidiary specializes in investment, the limit shall be 150%.
  - (3) The balance after the total amount of securities purchased subtracting the amount in Subparagraph 2 above shall not exceed 30% of the Company's total assets in the most recent financial report.
  - (4) The limit of investment in individual securities shall be limited to 50% of the Company's total assets in the most recent financial report, except for subsidiaries of controlling nature.
4. If the Company may select directors of another company due to its acquisition of equity in another company, the chairman shall approve the legal representative of the Company's directors and submit it to the Board of Directors for recognition afterwards.

Article 6 The Company shall acquire or dispose assets in accordance with these Procedures or other laws and regulations.

When the Company engages in any related party transaction to acquire or dispose assets, engages in derivatives trading, conducts a merger, demerger, acquisition, or transfer of shares of enterprises, it shall handle such matters in accordance with the provisions of Section 2 through Section 4 hereof.

The control of acquisition or disposal of assets by the Company's subsidiaries shall be handled in accordance with the Supervision Operations Guidelines of the subsidiaries.

If the relevant personnel of the Company violate the provisions of these Procedures, the director or president shall be disciplined by the Board of Directors, and the president or lower levels shall be disciplined by the president.

Section 2 Acquisition or disposal of assets

Article 7 In acquiring or disposing of real property, equipment, or right-of-use assets thereof held for business use where the transaction amount reaches 20 percent of the Company's paid-in capital or

NT\$300 million or more, the Company 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 unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, acquiring or disposing of equipment, or right-of-use assets thereof held for business use:

1. Where it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price due to special circumstances, the transaction shall be submitted for approval in advance to the Board of Directors for approval; the same procedure shall also apply when there is any subsequent change in the terms and conditions of the transaction.
2. Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Auditing Standards Bulletin No. 20 published by the ROC Accounting Research and Development Foundation (hereinafter referred to as ARDF) and render a specific opinion regarding the reason for the discrepancy and the fairness 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.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided that 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 8 The Company's acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price.

If the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the certified public accountant is required to adopt an expert report, the certified public accountant shall do so in accordance with the provisions of Auditing Standards Bulletin No. 20 published by the ARDF, except for publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (hereinafter referred to as the Competent authority for securities).

**Article 9** Where the Company acquires or disposes of membership cards or intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except for transactions with the domestic government agency, it shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the certified public accountant shall follow the provisions of Auditing Standards Bulletin No. 20 published by the ARDF.

**Article 9-1** The calculation of the transaction amounts referred to in the preceding three articles shall be carried out in accordance with Paragraph 2, Article 25 hereof. The “within one year” as mentioned herein shall refer to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained shall not be required to be counted toward the transaction amount.

**Article 10** 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 3** Related party transactions

**Article 11** When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the relevant resolution procedures are followed and the transaction conditions are appraised for the reasonableness thereof in accordance with the preceding section and this section, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in accordance with the provisions of the preceding section. The calculation of the transaction amount referred to in the preceding paragraph

shall be made in accordance with Article 9-1 hereof.

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 12** When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or 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, it shall not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Audit Committee and adopted by the Board of Directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal on the reasonableness of the preliminary transaction conditions in accordance with Article 13 and Article 14.
4. The date and price at which the related party originally acquired the real property, the transaction counterparty, its relationship with the Company and related parties, and other matters.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, evaluation of the necessity of the transaction, and reasonableness of the fund utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with the preceding article.
7. Limitations and conditions as well as other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Paragraph 2, Article 25 hereof, and "within one year" as mentioned herein shall refer to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and adopted by the Board of Directors shall not be required to be counted toward the transaction amount.

With respect to the types of transactions listed below between/among the Company and



its parent company and subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may authorize the chairman to make a decision within a certain amount first, and then submit it to the most recent Board of Directors meeting for retroactive recognition afterwards.

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

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

When a matter is submitted for discussion to the Board of Directors, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director raises objection or reserve his/her opinion, such shall be recorded in the meeting minutes of the Board of Directors.

Where a matter is submitted to the Audit Committee for discussion, it shall be approved by one-half or more of all Audit Committee members subject to mutatis mutandis application of Paragraphs 2 and 3 of Article 28.

**Article 13** When the Company acquires real property or right-of-use assets thereof from a related party, it shall evaluate the reasonableness of the transaction costs in the following methods:

1. Based upon the related party's transaction price plus interest costs on necessary funds and the costs to be duly borne by the buyer. The "interest costs on necessary funds" shall be calculated based on the weighted average interest rate on borrowing in the year the Company purchases the property; provided that the average shall not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided that 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 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 by either of the means set forth in the preceding paragraph.

When the Company acquires real property or right-of-use assets thereof from a related party

and appraises the cost of the real property or right-of-use assets thereof in accordance with the Paragraphs 1 and 2 shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property or right-of-use assets thereof from a related party in one of the following circumstances, the acquisition shall be conducted in accordance with Article 12, and the preceding three paragraphs shall not apply:

- (1) The related party acquires the real property or right-of-use assets thereof through inheritance or as a gift.
- (2) More than 5 years have elapsed from the time the related party signed the contract for acquisition of the real property or right-of-use assets thereof to the signing date for the current transaction.
- (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build on own land, or on rented land, etc.
- (4) The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

#### Article 14

When the results of the Company's appraisal conducted in accordance with Paragraph 1 and Paragraph 2 of the preceding article are lower than the transaction price, it shall be handled in compliance with Article 15 hereof. However, in case of the following circumstances where objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may provide proof of meeting one of the following conditions:
  - (1) Where undeveloped land is appraised in accordance with the means in the preceding article, and the sum of the structures according to the related party's construction cost plus reasonable construction profit are in excess of the actual transaction price. The "reasonable construction profit" shall be the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction conditions are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the transaction conditions are similar to those of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring land in the preceding paragraph shall in principle refer 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 shall in principle refer 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; the term within the preceding year shall refer to the one year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

Article 15      Where the Company acquires real property or right-of-use assets thereof from a related party and the results of

appraisals conducted in accordance with the preceding two articles are lower than the transaction price, it shall proceed with the following matters:

1. A special surplus reserve shall be set aside in accordance with Article 41 of the Securities and Exchange Act against the difference between transaction price and the appraised cost of the real property or right-of-use assets thereof, and shall not be distributed or used for capital increase or issuance of bonus shares. Where the Company adopts the equity method to account for its investment in another company, then the special surplus reserve under Article 41 of the Securities and Exchange Act shall be set aside pro rata pursuant to the share of the Company's equity stake in another company.
2. The independent director members of the Audit Committee shall comply with Article 218 of the Company Act.

3. Actions taken pursuant to the preceding two subparagraphs shall be reported to the Shareholders Meeting, and the transaction details shall be disclosed in the annual report and the investment prospectus.

The Company that has set aside a special surplus reserve pursuant to the preceding paragraph may only utilize the special surplus 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, as well as with the consent of the competent authority for securities.

When the Company acquires 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 4**      **Derivative Trading**

**Article 16**      The Company's derivative trading shall be handled in accordance with the Company's Engaging in Derivatives Trading Handling Procedures.

#### **Section 5**      **Merger and Consolidations, Splits, Acquisitions, and Assignment of Shares**

**Article 17**      The Company that conducts a merger, demerger, acquisition, or transfer of shares shall, prior to convening the Board of Directors to resolve on the matter, engage an accountant, attorney, or securities underwriter to give opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit the matter to the Board of Directors for discussion and adoption. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent 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 percent of the respective subsidiaries' issued shares or authorized capital.

**Article 18**      The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the Shareholders Meeting and include

therein the expert opinion referred to in the preceding article when sending shareholders the notice of the Shareholders Meeting for reference in deciding whether to approve the merger, demerger, or acquisition. However, where it is prescribed by other laws to exempt the Company from convening a Shareholders Meeting to approve the merger, demerger, or acquisition, such restrictions 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 explain to the public the reason, the follow-up measures, and the preliminary date of the next Shareholders Meeting.

**Article 19** 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 it is otherwise provided by other laws or the competent authority for securities 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 competent authority for securities is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for future inspections:

1. Basic personnel information: Including job titles, names, and national ID card 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.
2. Dates of major 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, the convening of a Board of Directors meeting, etc.
3. Important documents and meeting minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, important

contracts, meeting minutes of Board of Directors meetings, etc.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days upon adoption 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 competent authority for securities for recordation.

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 so listed or traded shall sign an agreement with such companies whereby the latter is required to abide by the provisions of Paragraphs 3 and 4.

Article 20      Personnel participating in or aware of 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 21      The Company participating in a merger, demerger, acquisition, or transfer of shares shall not arbitrarily alter the share exchange ratio or acquisition price, unless in the following circumstances, and shall stipulate the circumstances permitting changes in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
2. Actions such as disposal of major assets that affect the Company's finance and business.
3. Occurrence of events such as major disasters or major change in technology that affects the shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock in accordance with the law.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

6. Other terms and conditions that the contract stipulates may be changed and that have been publicly disclosed.

- Article 22      The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall state clearly the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also specify the following:
1. Handling of breach of contract.
  2. Handling principles for securities of equity nature previously issued or treasury stocks previously bought back by the company that is extinguished in a merger or that is demerged.
  3. Amount of treasury stocks participating companies are permitted under the law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  4. Handling methods of changes in the number of participating entities or companies.
  5. Preliminary progress schedule for plan execution, and anticipated completion date.
  6. Scheduled dates for convening the Shareholders Meeting in accordance with laws and regulations when the plan exceeds the deadline without completion, and the relevant procedures.
- Article 23      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 again 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 such matters.
- Article 24      Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 19, Article 20, and Article 23 hereof.

### Chapter 3 Public Disclosure of Information

**Article 25** When the Company is in any of the following circumstances in acquiring or disposing of assets, it shall publicly announce and file the relevant information on the website designated by the competent authority for securities in the format as prescribed by regulations based on its nature within 2 days upon occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; however, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits to aggregate losses or losses on individual contracts set forth in these Procedures adopted by the Company.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of and the transaction counterparty is not a related party, the transaction amount reaches NT\$500 million or more.
5. Where the 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, or an investment in the mainland area reaches 20 percent or more of paid-in capital or NT\$300 million; however, such provisions shall not apply to the following circumstances:
  - (1) Trading of domestic government bonds.
  - (2) Where transactions in securities are conducted by professional investors on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued



in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

- (3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The transaction amount in the preceding paragraph shall be calculated in the following methods:

- 1) Amount of any individual transaction.
- 2) The cumulative transaction amount for the acquisition or disposal of the same type of underlying asset with the same transaction counterparty within the preceding one year.
- 3) The cumulative transaction amount for the acquisition or disposal (amount for the acquisition and disposal to be accumulated respectively) of real property or right-of-use assets thereof within the same development project within the preceding one year.
- 4) The cumulative transaction amount for the acquisition or disposal (amount for the acquisition and disposal to be accumulated respectively) of the same security within the preceding one year.

The “within the preceding one year” as mentioned in the preceding paragraph shall refer to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures shall not be required to be counted toward the transaction amount.

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

When the Company makes an error or omission in an item required to be publicly announced in accordance with regulations in making public announcement and is required to make correction or supplement, all the items shall be again publicly announced and filed

within two days upon acknowledge of such error or omission.

When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, reference books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company. Such documents shall be retained for 5 years except that it is otherwise provided for by other laws.

- Article 26 Where the Company has already publicly announced and filed the information in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the competent authority for securities within 2 days upon occurrence of the event in any of the following circumstances:
1. Changes, termination, or cancellation of relevant contracts signed in regard to original transactions.
  2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  3. Change in the original information publicly announced and filed.

#### Chapter 4 Supplementary Provisions

- Article 27 Information required to be publicly announced and filed in accordance with the provisions in Chapter 3 on the acquisition and disposal of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be filed by the Company.

The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether the paid-in capital or total assets reaches 20% of the paid-up capital or 10% of total assets requiring public announcement and filing under Article 25.

For the calculation of 10 percent of total assets hereunder, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

- Article 27-1 The relevant regulations prescribed by the competent authority for securities concerning all supervisors in these Procedures shall apply mutatis mutandis to the Audit Committee of the Company.

The provisions of Subparagraph 2, Paragraph 1 of Article 15 of these Procedures shall apply mutatis mutandis to the independent directors of the Audit Committee.

Article 28      The formulation of these Procedures shall be approved by the Board of Directors and submitted to the Shareholders Meeting for approval. The revision thereof shall be approved by at least half of all members of the Audit Committee and submitted to the Shareholders Meeting for approval after the Board of Directors resolves. When these Procedures are submitted to the Board of Directors for discussion, the opinions of independent directors shall be fully considered. If there are any objections or reservations in their opinions, they shall be stated clearly in the meeting minutes of the Board of Directors.

If the matter in the preceding paragraph has not been approved by at least one-half of all members of the Audit Committee, it may be proceeded by the consent of two-thirds or more of all directors. The resolution of the Audit Committee shall be clearly stated in the meeting minutes of the Board of Directors.

All members of the Audit Committee and all directors mentioned in this article shall be calculated based on the actual members then in office.

Article 29      These Procedures were formulated and approved by the Board of Directors on April 29, 1999

The first revision was approved by the tenth session of the second term Board of Directors on November 22, 1999.

The second revision was approved by the Board of Directors on January 15, 2003, and submitted to the General Shareholders Meeting on April 11, 2003 for approval.

The third revision was approved by the Board of Directors on March 15, 2007, and submitted to the General Shareholders Meeting on June 11, 2007 for approval.

The fourth revision was approved by the Board of Directors on March 21, 2012, and submitted to the General Shareholders Meeting on June 15, 2012 for approval.

The fifth revision was approved by the Board of Directors on February 24, 2017, and submitted to the General Shareholders Meeting on June 14, 2017 for approval.

The sixth revision was approved by the Board of Directors on February 22, 2019, and submitted to the General Shareholders Meeting on June 24, 2019 for approval.