

**CH BIOTECH R&D CO., LTD.****Regulations Governing the Acquisition and Disposal of Assets**

The Regulations were enacted at Board Meeting on September 22, 2014

The first amendment to the Regulations was made on June 28, 2017

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The third amendment to the Regulations was made on May 21, 2019

The fourth amendment to the Regulations was made on May 27, 2020

The fifth amendment to the Regulations was made on June 8, 2022

**Chapter I General Principles**

**Article 1** The Regulations Governing the Acquisition and Disposal of Assets (hereinafter referred to as “the Regulations”) are regulated and adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereinafter referred to as “the Regulations”).

**Article 2** The Company shall handle the acquisition or disposal of assets in compliance with the Regulations.

**Article 3** The term "assets" as used in the Regulations includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

**Article 4** Terms used in the Regulations are defined as follows:

1. 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.
2. 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.

3. Related party or subsidiary: As defined in the Procedures Governing the Preparation of Financial Reports by Securities Issuers.
4. 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.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors' 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.
6. 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 Procedures Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May 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 self-regulatory rules of the industry associations to which they belong and with the following matters:

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

## Chapter II Disposition Procedures

### Section I Establishment of Disposition Procedures

Article 6 The Company shall establish or modify the Regulations in accordance with the Regulations.

After the Regulations have been approved by more than half of all Audit Committee members, it shall be submitted to the Board of Directors and then Shareholders' Meeting for approval.

When the Regulations are 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 as required in paragraph 1 is not obtained, the Regulations 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 term "all Audit Committee members" in the paragraph 1 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 7 The Company shall specify the following items in the Regulations and handle the acquisition or disposal matters in compliance with the Regulations:

1. The scope of assets.
2. Appraisal procedures: Shall include the means of price determination and supporting reference materials.
3. Operating procedures: Shall include the degree of authority delegated, the levels to which authority is delegated, the units responsible for implementation, and transaction process.
4. Public announcement and regulatory filing procedures.
5. Total amounts of real property and right-of-use assets thereof or securities acquired by the Company and each subsidiary for business use, and limits on individual securities.
6. Control procedures for the acquisition and disposal of assets by subsidiaries.
7. Penalties for personnel violating these Regulations or the procedures for the acquisition or disposal of assets.
8. Other important matters.

The Company engages in any related party transaction, engages in derivatives trading, or conducts a merger, demerger, acquisition, or transfer of shares of enterprises shall, in addition to conducting such matters in compliance with the provisions of the preceding paragraph, shall also adopt related procedures in accordance with the Regulations.

The Company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with the Regulations.

Article 8 Level of authority for acquisition and disposal of assets shall be in compliance with the following provisions:

1. The acquisition or disposal of real property with value less than NTD\$60,000,000 may be proceeded upon the approval of the General Manager; for real property with value between NTD\$60,000,000 to NTD\$120,000,000, it may be proceeded upon the approval of the Chairman and shall be reported to the next meeting of Board of Directors for subsequent ratification; for property with value more than NTD\$120,000,000, it may only be proceeded upon the approval of more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.
2. The acquisition or disposal of equipment with value less than NTD\$60,000,000 shall be proceeded in compliance with Regulations Governing Level of Authority. For which with value over NTD\$60,000,000, it may only be proceeded upon the approval of more than half of all Audit Committee members and submitted to the Board of Directors for a

resolution.

In addition, for which with value between NTD\$30,000,000 to \$60,000,000, it shall be reported to the next meeting of Board of Directors after acquiring the approval in compliance with Regulations Governing Level of Authority.

3. The acquisition or disposal of other assets or derivatives trading may only be proceeded upon the approval of more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.

When the acquisition or disposal of assets is reported for the approval more than half of all Audit Committee members and submitted to the Board of Directors for a resolution, it shall be subject to mutatis mutandis application of Article 6, paragraph 3 and 4. The Board of Directors shall take into full consideration each independent director's opinions. If and independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors Meeting.

## Section II Acquisition or Disposal of Assets

Article 9 In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic 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 thereof held 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:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  - A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - B. 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, 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.

The acquisition or disposal of real property and other fixed assets shall be implemented in compliance with the Company's Real Property, Plant and Equipment Cycle.

The total investment on real estate for non-business use by the Company or its subsidiary shall not exceed 50% of shareholders' equity attested by CPA.

Article 10 A public company 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 the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Purchase and sale of securities by the Company shall be implemented in compliance with the Company's Investment Cycle.

In general, the Company would not engage in trading of claims from financial institutions. If the Company determines to engage in it later on, the decision shall be reported to the Board of Directors for resolution, and the Company may establish procedures for evaluation and operation upon the resolution.

Total amounts of securities acquired by the Company and each subsidiary for non-business use, and limits on individual securities:

1. The total amount of investment on securities shall not exceed the shareholders' equity attested by CPA.

The investment on individual security shall not exceed 60% of the shareholders' equity attested by CPA.

Article 11 Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reach 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. Acquisition or disposal of intangible assets or right-of-use assets thereof or memberships shall be implemented in compliance with the Company's Real Property, Plant and Equipment Cycle.

Article 12 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 28, 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 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 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 III Related Party Transactions

Article 14 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 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 compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made 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 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, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of the Audit Committee members and resolved 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 of the reasonableness of the preliminary transaction terms in accordance with Article 16 and Article 17.
4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the Company or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

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

When a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, it shall be subject to mutatis mutandis application of Article 6, paragraph 3 and 4. 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 the company or its subsidiary that is not a domestic public offering company has the first transaction, and the transaction amount is more than 10% of the company's total assets, the company shall submit the information listed in the first paragraph to the shareholders' meeting for approval, before signing the transaction contract and making payment. However, transactions between the Company and its subsidiaries are not subject to this limitation.

The provisions of the first paragraph and the preceding paragraph shall be handled in accordance with the provisions of the second paragraph of Article 28 of these Measures. The term "previous year" as mentioned in these Measures refers to the year before the current transaction occurs. Projects approved by the shareholders' meeting, the board of directors and approved by the audit committee are not included in the transaction amount.

Article 16 The Company acquiring real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and

the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 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 in accordance with either of the means listed in the preceding paragraph.

The Company acquiring 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 preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

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

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.

The real property right-of-use assets for business use are acquired by the Company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 17 When the results of the Company's appraisal for real property conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance 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 have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - A. 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.
  - B. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the

land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.

2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

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

Article 18 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 uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of 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.
2. 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 a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

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

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

#### Section IV Engaging in Derivatives Trading

Article 19 When the Company engages in derivatives trading, it shall pay strict attention to control of the following important risk management and auditing matters:

1. Trading principles and strategies:
  - A. Types

Derivatives to trade may refer to 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.

B. Operating and hedging strategies:

The main purpose of the Company conducting derivatives trading shall be hedging, and choosing of derivatives shall follow the rule to avoid risks which may incur in the Company's business operation. The currencies to be held by the Company shall be consistent with the needs in actual business transactions and shall maintain an internal balance (income and expense of foreign currencies) to lower the overall risk of foreign currency exchanges.

C. Segregation of duties

(a). Finance staff: the finance staff are responsible for executing business transactions, collecting market information from time to time, understanding related regulations and market handling techniques and providing abovementioned data to supervisors.

(b). Accounting staff: the accounting staff are responsible for confirming transactions and details of accounting entries.

(c). Auditing staff: the auditing staff are responsible for regular or irregular auditing.

D. Essentials of performance evaluation

(a). Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.

(b). Evaluation of performance shall be compared to the pre-established evaluation standard on the day of evaluation and taken as a reference for future decisions.

E. Total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts

(a). Total amount of derivatives contracts

The total amount of derivatives contracts shall not exceed USD\$10 million or equivalent amount of New Taiwan Dollar.

(b). Stipulation of the maximum loss limit

A stop-loss point, which shall not exceed 10% of the trade amount of each contract, shall be stipulated for trades for hedging or special purposes. In the event of loss exceeding 10% of the amount of one contract, the results shall be reported to the General Manager for discussing necessary corresponding solutions, whereas the losses exceed 10% of the amount of all contracts, the results shall be reported to the Chairman for approval, and further trades offsetting and recognition of losses shall be implemented immediately.

2. Operating procedures

A. Degree and levels of authority

(a). Please refer to the Company's Level of Authority for the degree and levels of authority over derivatives trading.

(b). In consideration of the management of corresponding between the Company and the banks, any change of employees in charge of handling and confirming transactions shall notify the correspondent banks, and the informed banks are required to act according to the existing rules between two parties.

B. Department responsible for implementation and transaction process

(a). Implementation of trades: Staff of Department of Finance shall fill out Log Book for Derivatives Trading for each trade and may implement such trade with banks upon the approval by responsible management personnel delegated by Level of

- Authority. After each trades, the staff shall also prepare relevant documents, details of position and vouchers to submit to the Department of Accounting.
- (b). Logging of trades: Staff of Department of Accounting shall review the vouchers created by the staff of Department of Finance whether they are consistent with the original certificates.
- C. The Company engages in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 20 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2 of Article 21 shall be recorded in detail in the log book.
- D. The Company engages in derivatives trading shall keep all relevant contracts, meetings minutes, log books at the Company, where they shall be retained for 5 years except where another act provides otherwise.
3. Risk management measures
- A. Credit risk management
- Proceed the measures addressed below to avoid possible loss of the Company if a transaction counterparty fails to fulfill a contract:
- (a). Transaction counterparty: domestic and abroad reputed financial institutions.
- (b). Objects of transaction: instruments provided by domestic and abroad reputed financial institutions.
- (c). Transaction amount: the amount with one single transaction counterparty shall not exceed 50% of the total amount approved.
- B. Market risk management
- The value of derivatives would fluctuate due to the affection of the market and various facts. Thus, the financial staff shall collect market information periodically for trend analysis and risk evaluation and submit reports to the General Manager as reference for implementation of transactions.
- C. Liquidity risk management
- Liquidity shall be the priority consideration when choosing a financial instrument (can square off positions any time). The financial institution to deal with must have sufficient information and be capable of implementing transactions any time.
- D. Risk management of cash flow
- In consideration of the stability of the Company's cash flow, the Company shall only be implementing derivatives transactions relying on its own funds, of which the amount shall take the needs of cash receivable/payable in the next 3 months into consideration.
- E. Operational risk management
- (a). all personnel shall handle such matters in compliance with the degree and levels of authority, the procedures and the internal audit system to avoid operational risk.
- (b). Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- (c). Risk measurement, monitoring, and control personnel shall be assigned to a different department that the personnel in the preceding subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
- F. Derivative risk management
- The staff in charge of such transactions shall have the profound and accurate professional knowledge related to the derivatives. In addition, the Company shall require the banks to properly reveal risks to avoid misuse of derivatives.

- G. Legal risk management
  - All legal documents may only to be entered with financial institutions after the documents have been reviewed by experts in foreign exchange or legal areas to avoid legal risk.
- 4. Internal audit system
  - A. 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.
  - B. The Company's internal audit personnel shall submit the audit report along with the annual audit results to Securities and Futures Bureau by the end of the next February and submit a rectification report of nonconformity by the end of the next May for future reference.
- 5. Regular evaluation methods and the handling of irregular circumstances
  - A. The Board of Directors shall authorize the senior management personnel to regularly supervise and evaluate whether the derivatives transactions are implemented in compliance with the Company's policies. The senior management personnel shall confirm whether the risks are within the Company's permitted scope of tolerance. If irregular circumstances are found in appraisal reports, the senior management personnel shall report to the Board of Directors and take necessary countermeasures.
  - B. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
- 6. Where the Company engaging in derivatives trading, the Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:
  - A. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk in accordance with the following principles:
    - (a). Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Regulations and the Regulations for engaging in derivatives trading formulated by the Company.
    - (b). When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors, and an independent director shall be present at the meeting and express an opinion.
  - B. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.

#### Section V Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

Article 20 Where the Company 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. 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 21 Where the Company participates 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 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 22 When the Company participates in a merger, demerger, or acquisition, it 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 the Company participates in matters in the preceding two paragraphs, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:

- A. 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.
- B. 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.
- C. 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.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 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 neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

- Article 23 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 24 When the Company participates in a merger, demerger, acquisition, or transfer of shares, it 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:
- A. 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.
  - B. An action, such as a disposal of major assets, that affects the Company's financial operations.
  - C. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - D. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - E. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- Article 25 The contract for participation by the Company 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:
- A. Handling of breach of contract.
  - B. 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.
  - C. The amount of treasury stock participating companies is permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  - D. The manner of handling changes in the number of participating entities or companies.
  - E. Preliminary progress schedule for plan execution, and anticipated completion date.
- Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- Article 26: 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 27 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

22, Article 23, and the preceding article.

### Chapter III Public Disclosure of Information

Article 28 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- A. 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; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- B. Merger, demerger, acquisition, or transfer of shares.
- C. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- D. 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 NT\$500 million or more.
- E. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.
- F. 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:
  - (a). Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
  - (b). 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:

- A. The amount of any individual transaction.
- B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- C. 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.
- D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

The Company shall compile monthly reports on the status of derivatives trading

engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

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.

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

Article 29 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:

- A. Change, termination, or rescission of a contract signed in regard to the original transaction.
- B. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

Change to the originally publicly announced and reported information.

#### Chapter IV Additional Provisions

Article 30 Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported 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, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 28, paragraph 1.

Article 31 For the calculation of 10 percent of total assets under the 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 shall be used.

In the case of the Company's 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 the Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

Article 32 Punishments for employees' violations against the Regulations shall be imposed by senior management personnel in accordance with the severity, of which the records will be taken as reference for annual personal performance. In the event of the Board of Directors or any member thereof violating the related regulations or decisions made from stakeholder's meeting when practicing its or his/her profession, the Audit Committee shall notify the Board of Directors or such member to suspend the act pursuant to Article 218, paragraph 2 of the Company Act.