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## HTC Corporation Procedures for the Acquisition or Disposal of Assets

### Chapter 1: General Principles

#### Article 1: Objectives and basis

For purposes of enhancing the Company's asset management process and public disclosure of information, these Procedures for the Acquisition or Disposal of Assets ("Procedures") are adopted in accordance with Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition or Disposal of Assets by Public Companies issued by the Securities and Futures Bureau of the Financial Supervisory Commission.

#### Article 2: Scope of assets and definitions

1. The term "assets" in these Procedures shall apply to the following:
  - (1) Stocks, bonds, corporate bonds, financial bonds, securities representing funds, domestic beneficial interest certificates, overseas mutual funds, 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) Membership certificates.
  - (4) Intangible assets such as patents, copyrights, trademark rights, and franchise rights.
  - (5) Right-of-use assets.
  - (6) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue accounts receivable).
  - (7) Derivatives.
  - (8) Assets acquired or disposed of through lawful mergers, demergers, acquisitions, or share transfers.
  - (9) Other material assets.
2. The defined terms in these Procedures are as follows:
  - (1) Derivatives: Refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the

above products, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rates, indexes 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 (or sales) contracts.

- (2) Assets acquired or disposed of through lawful mergers, demergers, acquisitions, or share transfers: 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 laws, or to transfers of shares from another company for which new shares of its own are issued as consideration (below, "share transfer") under 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 person duly authorized by law to engage in the value appraisal of real property or equipment.
- (5) Date of occurrence: Refers to the earliest of the following dates: the date of contract signing, date of payment, date of execution of an order, date of transfer, date of a board of directors resolution, or other date from which the counterparty and monetary amount of a transaction can be determined, provided that for investments requiring the approval of the Competent Authority, the earlier of either an abovementioned date or the date of receipt of approval by the Competent Authority shall apply.
- (6) Mainland area investment: Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- (7) Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- (8) Securities exchange: "Domestic securities exchange" means the Taiwan Stock Exchange Corporation; "foreign securities exchange" means any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- (9) Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" means any venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" means any venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.



### Article 3: Appraisal procedures

The methods and reference criteria for determining the price at which the Company acquires or disposes of assets shall comply with the following:

#### 1. Securities investments:

To acquire or dispose of securities, before the actual date of transaction, the Company shall first obtain, for reference in appraising the transaction price, a financial statement of the subject company for the most recent period that has been audited and certified or reviewed by a certified public accountant (CPA), or an investor memorandum, prospectus, or financial information regarding the subject securities, and shall determine the transaction price using the following methods:

- (1) For acquisition or disposal of securities traded on the centralized securities exchange market or an OTC market, the price shall be determined according to the current trading price.
- (2) For acquisition or disposal of securities not traded on the centralized securities exchange market or an OTC market, the price shall be determined through negotiation after consideration of net worth per share, profitability, and future development potential, taking current market prices as a reference, or by negotiation after reference to current market interest rates, bond coupon rates, and debtor creditworthiness.

In addition, when the amount of a transaction reaches 20 percent of paid-in capital or NT\$300 million or more, before the actual date of transaction, the Company shall obtain an opinion from a CPA on the reasonableness of the trading price. If the CPA needs to adopt an expert's report, the Statements on Auditing Standards No. 20 announced by the ROC Accounting Research and Development Foundation (ARDF) will apply. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the Financial Supervisory Commission's Interpretation concerning the Article 10 proviso in the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.

#### 2. Real property, equipment, or right-of-use assets:

Prices for the acquisition or disposal of real property shall be determined through negotiation, with reference to the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties; in acquisition or disposal of equipment, the Company shall first collect relevant price information and make a price determination through one of three methods, either price comparison, price negotiation, or call for tenders.

When the Company acquires or disposes of real property, equipment, or right-of-use assets, if the transaction amount reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with a domestic government entity, hiring others to build on its own land, hiring others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, before the actual date of transaction, it shall first obtain an appraisal report from a professional appraiser and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to use a limited price,

specified price, or special price as reference criteria for the transaction price, the transaction shall first be submitted for approval by the Audit Committee and the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

- (2) Where the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be engaged to provide appraisals.
- (3) Where any of the following circumstances applies with respect to the results of a professional appraisal, except that the appraisal price is higher than the acquisition price or is less than the disposal price, a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF and to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
  1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  2. The discrepancy between the results of two or more professional appraisals is 10 percent or more of the transaction amount.
- (4) No more than three months may pass between the date of the appraisal report and the contract execution date, provided that where the announced current value used in the appraisal is for the same period and not more than six months have elapsed, the original professional appraiser may issue an opinion.

### 3. Intangible assets or right-of-use assets thereof or memberships

When acquiring or disposing of membership certificates, the Company shall first collect relevant price information and use one of two methods, price comparison or price negotiation, to effect acquisition or disposal. When acquiring or disposing of intangible assets or right-of-use assets thereof or memberships, the Company shall also collect relevant price information, and shall make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price.

When a transaction amount for acquisition or disposal of membership certificates or intangible assets reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with a domestic government entity, before the actual date of transaction, the Company shall seek an opinion from a CPA on the reasonableness of the transaction price. The CPA shall issue its opinion in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF.

### 4. Other material assets

In acquiring claims of financial institutions, derivatives products, assets transferred by means of lawful mergers, demergers, acquisitions, or share transfers, or other material assets, the Company shall collect relevant price information, depending on the nature of the subject asset of the transaction, and make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price.

5. When 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.

## Article 4: Operating procedures

### 1. Levels of authorization

(1) When the Company acquires or disposes of assets with non-related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.

#### 1. Acquisitions or disposals of securities:

1.1 When an acquisition or disposal is for the purpose of business needs or strategic investments, the following provisions will apply:

1.1.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.

1.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.

1.1.3 The board of directors authorizes the Chairman of the board to approve and execute each individual transaction in an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards.

1.2 When the purpose of the acquisition or disposal is financial investment, then the transaction shall be executed, after determination of the amount and procedures for its approval in accordance with the "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman, and after its further submission for approval by the responsible officers in order of increasing authority.

#### 2. Acquisitions or disposals of real property or right-of-use assets thereof::

##### 2.1 Acquisition or disposal of real property for use in business operations:

2.1.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.

2.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.

2.1.3 The board of directors authorizes the Chairman of the board to approve and execute each individual transaction in an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards.

2.2 The acquisition or disposal of real property and right-of-use assets thereof not for use in business operations, within the limits for transaction amounts set out in paragraph 2 of this article, may be executed after submission to and approval by the board of directors.

#### 3. Acquisition or disposal of equipment or right-of-use assets thereof:

- 3.1 Acquisition or disposal of assets or right-of-use assets thereof for use in business operations:
    - 3.1.1 Each transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.
    - 3.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.
    - 3.1.3 Transactions in amounts less than NT\$600 million shall be submitted to supervisors for approval in order of their increasing authority in accordance with the "internal decision authorization limits."
  - 3.2 Acquisitions or disposals of assets or right-of-use assets thereof that are not intended for use in business operations shall be submitted to and approved by the board of directors prior to their execution.
  4. The board of directors authorizes the Chairman of the board to approve and execute each individual transaction for acquisition or disposal of membership certificates, who shall then report the board of directors of the status of execution afterwards.
  5. Acquisition or disposal of intangible assets and other material assets:
    - 5.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.
    - 5.2 For any individual transaction amount that is less than NT\$1.5 billion, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.
  6. In acquisition or disposal of assets by means of lawful mergers, demergers, acquisitions, or share transfers, the unit executing the transaction shall first conduct an appraisal and thereafter carry out the transaction in accordance with relevant laws and regulations and Chapter 4 of these Procedures.
- (2) When the Company acquires or disposes of assets with related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.
1. Chapter 3 of this Procedure shall apply to acquisition or disposal of real estate or right-of-use assets thereof from or to related parties. Relevant documents shall be submitted to the Audit Committee and submitted to the board of directors for approval before execution of agreements and make payments.
  2. To acquire or dispose of assets or right-of-use assets thereof other than real estate from or to related parties:
    - 2.1. The transaction including in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by securities investment trust enterprise shall only be executed after it is submitted for approval by responsible officers as determined based of the amount and

procedures for its approval prescribed by "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman.

- 2.2. For the transactions between the Company and its subsidiaries for the equipment for the operation needs with the transaction price less than NT\$600 million, the board of directors authorizes the Chairman of the board to approve and execute the transaction, who shall then report to the next meeting of the board of directors for ratification.
- 2.3. All transactions other than those described in sections 2.1 and 2.2 shall proceed in accordance with the followings:
  - 2.3.1. To acquire or dispose of assets with the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, relevant documents shall be submitted to the Audit Committee and then submitted to the board of directors for approval before execution of agreements and make payments.
  - 2.3.2. To acquire or dispose of assets with the transaction price less than 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, if transactions is between the Company and its subsidiaries, the board of directors authorizes the Chairman of the board to approve and execute such transaction and Chairman shall report to board of directors of the status of execution afterwards; if transactions is not between the Company and its subsidiaries, relevant document shall be submitted to two uninterested directors for approval before execution of agreements and make payments. The status of execution shall be reported to the board of directors afterwards.

- (3) In any acquisition or disposal of assets by the Company that requires the approval of the board of directors pursuant to the articles of in Company or other provisions of law. If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.

## 2. Amount limits

- (1) The total amount of any real property or right-of-use assets thereof purchased by the Company not for use in business operations may not exceed 20 percent of the Company's net worth; the total amount of any real property or right-of-use assets thereof purchased by a subsidiary of the Company not for use in business operations may not exceed 20 percent of the Company's net worth, and may not exceed the subsidiary's net worth.
- (2) Unless with the approval of a shareholders meeting, the total amount of investment by the Company in securities may not exceed its net worth; the total amount of investment in securities by a subsidiary of the Company may not exceed the subsidiary's net worth.
- (3) Unless with the approval of a shareholders meeting, the amount of the Company's investment in any single security may not exceed 50 percent of its net worth; the



amount of investment by a subsidiary of the Company in any single security may not exceed 50 percent of the Company's net worth and may not exceed the subsidiary's net worth.

- (4) Securities acquired by the Company or a subsidiary for the purpose of short-term allocation of funds, or acquired through the conduct of M&A activities such as mergers, demergers, acquisitions, or share transfers carried out in accordance with relevant domestic or foreign laws, shall not be subject to the restrictions on amounts in (2) and (3) above.

### 3. Units executing transactions

- (1) For acquisition or disposal of securities: the financial unit or related unit.
- (2) For acquisition or disposal of real property, equipment, or right-of-use assets thereof: the general affairs unit, financial unit, or other related unit.

### 4. Transaction procedures

Procedures and operations in relation to the acquisition or disposal of assets shall be carried out in accordance with relevant provisions of laws and regulations and the internal rules of the Company.

Article 4-1 The transaction price specified in the preceding article shall be calculated according to Paragraph 2, Article 17. The term "within one year" shall refer to one year prior to the actual date of transaction. The transactions that the Company has obtained the appraisal report or the CPA report according to this Procedure may be excluded.

### Article 5: Other material assets

For any appraisal report or any written opinion from a CPA, attorney, or securities underwriter obtained by the Company, the professional appraiser and appraiser's officers, CPA, attorney, or securities underwriter shall meet the following requirements:

1. May not have previously received a final and unappeasable 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 following:

1. Prior to accepting a case, the appraiser shall prudently assess their own professional capabilities, practical experience, and independence.
2. When examining a case, the appraiser 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. The appraiser 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. The appraiser shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and the appraiser have evaluated and found that the information used is reasonable and accurate, and that the appraiser have complied with applicable laws and regulations.

### Chapter 3: Transactions with Related Parties

#### Article 6: Scope of applicability

For acquisition or disposal of assets between the Company and the related parties, the Company shall carry out the relevant resolution procedures and appraisals of the reasonableness of the transaction terms in accordance with the provisions of this chapter and the preceding chapter. In addition, if the transaction price reaches 10% or more of the Company's total assets, the Company shall also obtain the appraisal report or the CPA report as specified in the preceding Charter.

The transaction price specified in the preceding paragraph shall be calculated in accordance with Article 4-1.

In judging whether a trading counterparty is a related party, consideration shall be given to the substantive nature of the relationship in addition to its legal form.

#### Article 7: Resolution procedures

When the Company acquires real property or right-of-use assets thereof from or disposes of real estate or right-of-use assets thereof to a related party, or acquires other assets from or dispose of other assets to a related party at the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by securities investment trust enterprise, it shall submit the following materials to the Audit Committee and the board of directors for approval before executing agreements or making payments:

1. The purpose, necessity, and anticipated benefit of the real property acquisition or disposal.
2. The reason for choosing the related party as a trading counterparty.
3. To acquire real estate from a related party or right-of-use assets thereof, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Articles 8 through 10.
4. The date and price at which the related party originally acquired the real property, the



original trading counterparty, and that trading counterparty's relationship to the company and the related party.

5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract and an evaluation of the necessity of the transaction and the reasonableness of funds utilization.
6. The appraisal report issued by an appraiser according to the preceding article or CPA's opinion.
7. Any restrictive covenants or other material stipulations associated with the transaction.

The transaction price specified in the preceding article shall be calculated according to Paragraph 2, Article 17. The term "within one year" shall refer to one year prior to the actual date of transaction. The transactions that have been submitted to Audit Committee and approved by the board of directors according to this Procedure may be excluded.

The Company and its subsidiaries, or by its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Chairman of board may approve and execute the transactions according to Article 4.1.2.2.2 and then report to the next meeting of the board of directors for ratification:

- (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.

If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.

#### Article 8: Appraisal procedures

When acquiring real property from a related party or right-of-use assets thereof, the Company shall assess the reasonableness of the transaction costs by the following methods:

1. Based upon the related party transaction price plus necessary interest on funding and the costs to be borne by the buyer in accordance with the law. "Necessary interest on funding" is the imputed weighted average interest rate on borrowing in the year the company purchases the property. That rate, however, may not be higher than the maximum lending rate for non-financial enterprises announced by the Ministry of Finance.
2. Where the related party has previously created a mortgage on the property as security for a loan, based on the total loan value appraisal from the financial institution. The actual cumulative value of the financial institution's loan shall have reached 70 percent of more of the appraised loan value of the property and the loan period shall have been one year or more, provided that this shall not apply when the financial



institution and one of the trading counterparties are related parties.

When land and structures thereon are combined as a single property purchase or leased, separate appraisals of the transaction costs for the land and the structures may be carried in accordance with either of the means listed 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 in accordance with the provisions of paragraph 1 and paragraph 2, it shall also engage a CPA to conduct a secondary review and render a specific opinion.

When 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 provisions of Article 9 and the provisions of the preceding three paragraphs shall 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 five years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

#### Article 9: Procedures for handling appraised prices lower than the proposed transaction price (1)

When the results of the Company's appraisals under paragraph 1 and paragraph 2 of the preceding Article are all lower than the proposed transaction price, the matter shall be handled in accordance with Article 10. Where the following circumstances exist, however, and the Company puts forward objective evidence and obtains specific opinions on reasonableness from a professional real property appraiser and a CPA, the above condition shall not apply:

1. Where the related party has acquired undeveloped land or leased land for development, it may submit proof that the transaction complies with one of the following conditions:
  - (1) The undeveloped land has been appraised in accordance with the means in the preceding Article, but the structures have been valued based on the related party's construction costs plus reasonable profit from construction, and in combination with the land, are valued in excess of the actual transaction price. "Reasonable profit from construction" shall be the lower of the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance.

- (2) There are cases of completed transactions by unrelated parties within the preceding year involving other floors of the same property or property in an adjacent area in which the properties are similar in area and the terms of the transactions in those cases are found to be similar after assessment of reasonable discrepancies in the prices of different floors or districts in accordance with standard property market practices or leasing practices.
  - (3) There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. The Company provides evidence that, for the real property it purchases from a related party, the terms of the transaction are similar to cases of transactions completed in adjacent areas by unrelated parties within the preceding year and the property involved is also similar in area.

"Cases of transactions completed in adjacent areas" in the preceding paragraph in principle refers to property on the same or an adjacent block and within a distance of no more than 500 meters or property whose publicly announced current value is similar. "Similar in area" in principle refers to transactions completed by unrelated parties for property with an area of no less than 50 percent of the property in the planned transaction. "Within the preceding year" refers to a preceding period of one year calculated from the actual date of occurrence of the real property or right-of-use assets thereof acquisition.

#### Article 10: Procedures for handling appraised prices lower than the proposed transaction price (2)

When the Company acquires real property or right-of-use assets thereof from a related party and the results of the appraisals under Articles 8 and 9 are all lower than the proposed transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, which 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 the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
2. Audit Committee shall comply with the provisions of Article 218 of the Company Act.
3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and in prospectuses.

When the Company sets aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or



adequate compensation has been made, or the status quo ante has been restored, or the status quo ante has been restored, or there is other evidence to confirm there was nothing unreasonable in the transaction, and the Financial Supervisory Commission of the Executive Yuan has given its consent.

When the Company acquires real property or right-of-use assets thereof from a related party and other evidence indicates that the acquisition was a non-arms length transaction, it shall also comply with the provisions of the preceding two paragraphs.

## Chapter 4: Mergers, Demergers, Acquisitions, and Share Transfers

### Article 11: Resolution procedures

1. When the Company conducts a merger, demerger, acquisition, or share transfer, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to issue an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and report the opinion to the board of directors for deliberation and passage. This requirement shall not apply, however, where the Company merges its subsidiary which the Company directly or indirectly owns 100 percent of the subsidiary's outstanding shares or paid in capital, or merger between the Company's subsidiaries that the Company directly or indirectly owns 100 percent of their outstanding shares or paid in capital.
2. When the Company participates in a merger, demerger, or acquisition, then prior to the shareholders meeting it shall prepare a public report to shareholders detailing material contractual content and matters relevant to the merger, demerger, or acquisition and include it, along with the expert opinion referred to in paragraph 1 of the preceding paragraph, in the notification of the shareholders meeting for reference by shareholders in deciding whether to approve the merger, demerger, or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a shareholders meeting to approve the merger, demerger, or acquisition.  
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.
3. When the companies participating in a merger, demerger, or acquisition convene board of directors meetings or shareholders meetings to resolve matters concerning the merger, demerger, or acquisition, they shall do so on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.  
The companies participating in a share transfer shall convene their board of directors meetings on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.



An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall make a comprehensive written record of the following information, to be retained for five years for reference:

1. Basic personnel information: 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 share transfer prior to public disclosure of the plan.
2. 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.
3. Important documents and minutes: Including merger, demerger, acquisition, or share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall, within two days from the date of passage of the board of directors resolution, report the information under subparagraphs 1 and 2 of the preceding paragraph for reference by the FSC, in the prescribed format, through its Internet information reporting system.

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(ies) so listed or traded shall sign an agreement with such company, and the provisions of paragraphs 3 and 4 shall be complied with.

#### Article 12: Confidentiality commitments

Every person participating in or privy to the plan for merger, demerger, acquisition, or share transfer 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, any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or share transfer.

#### Article 13: Change of share exchange ratio or acquisition price

When the Company participates in a merger, demerger, acquisition, or share transfer, it may not arbitrarily alter the share exchange ratio or acquisition price except under the circumstances listed below, and it shall stipulate in the contract for the merger, demerger, acquisition, or share transfer the circumstances under which alteration is permitted:

1. A cash capital increase, an issuance of convertible corporate bonds or bonus shares, an issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
2. An action, such as a disposal of material assets, that affects the company's finances or business.
3. An event, such as a major disaster or major change in technology, that affects



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 duly repurchases treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or share transfer.
6. Any other condition under which such alteration may take place that has been stipulated in the contract and has been publicly disclosed.

#### Article 14: Particulars to be set out in the contract

The contract for the Company's participation in a merger, demerger, acquisition, or share transfer shall set out the rights and obligations of the companies participating in the merger, demerger, acquisition, or share transfer, and shall also set out the following:

1. Handling of breach of contract.
2. The principles for handling of equity-type securities previously issued or treasury stock previously repurchased by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies may duly repurchase after the record date of calculation of the share exchange ratio and the principles for handling of repurchases.
4. The method of handling changes in the number of participating entities or companies.
5. A preliminary progress schedule for execution of the plan and the anticipated completion date.
6. Handling procedures in relation to matters such as the scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion.

#### Article 15: Changes in other participants

When any company participating in a merger, demerger, acquisition, or share transfer, after public disclosure of such information, subsequently forms an intention to undertake another merger, demerger, acquisition, or share transfer with another company, then except in a case where the number of participants is decreased and the shareholders meeting has already resolved and authorized a change in the relevant scope of powers of the board of directors, in which case the participant company may be exempt from the requirement to convene a shareholders meeting for a new resolution, any procedures or juristic acts already brought to completion in the original case of merger, demerger, acquisition, or share transfer shall be performed over again by all participating companies.

#### Article 16: Method of handling in respect of a participating company that is not a public company

When any company participating in a merger, demerger, acquisition, or share transfer is not a public company, the Company shall sign an agreement with that company and



shall proceed in accordance with Article 11 paragraph 3, Article 12, and Article 15.

## Chapter 5: Public Disclosure of Information

### Article 17: Procedures for public announcement and reporting

When the Company acquires or disposes of assets under any of the following circumstances, it shall publicly announce and report the relevant information, in accordance with the type of disposal or acquisition, on the FSC's designated website in the appropriate format as prescribed by regulations within two days from the date of occurrence:

1. An acquisition of real property or right-of-use assets thereof from or a disposal of real estate or right-of-use assets thereof to a related party, a transaction with a related parties for the assets other than real estate with the transaction price reaching 20% of the Company's paid-in capital, 10% of the total assets, and NT\$300 million, excluding the transactions of domestic treasury bonds or repurchase or reverse sell of bonds, or subscription or redemption of issued by securities investment trust enterprise, domestic money market funds.
2. A merger, demerger, acquisition, or share transfer.
3. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. The type of asset acquired or disposed is equipment for use in business operations, the trading counterparty is not a related party, and the transaction amount is more than NT\$500 million.
5. The Company operates construction business and acquires or disposes of real property for use in construction, where the trading counterparty is not a related party, and the transaction amount is more than NT\$500 million.
6. Real property is acquired under an arrangement for commissioned construction on self-owned land or leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is more than NT\$500 million.
7. Where the amount of an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or investments in China reaches 20 percent or more of paid-in capital or NT\$300 million. This restriction shall not apply, however, under the following circumstances:
  - (1) Trades in government bonds.
  - (2) Securities trading by investment professionals on foreign or domestic securities exchanges or domestic over-the-counter markets, or subscription of ordinary corporate bonds and securities that do not involve shareholding rights in the primary market, or security firms, for the purpose of underwriting services, becomes an advisory recommending securities firm and purchases securities according to the regulations of Taipei Exchange.
  - (3) Trades of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds issued by securities investment trust enterprise.





The amounts of the transactions in the preceding paragraph shall be calculated as follows:

1. As the amount of any individual transaction.
2. As the cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year.
3. As the cumulative transaction amount of real property or right-of-use assets thereof acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) in the same development project within one year.
4. As the cumulative transaction amount of acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) of the same security within one year.

"Within one year," as used in the preceding paragraph, refers to a preceding period of one-year calculated from the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.

The Company shall compile monthly reports, covering the period up to the end of the preceding month, on the status of derivatives trades made by it or by any subsidiaries that are not public companies, and enter the information in the prescribed format into the information reporting website designated by the SFC by the tenth day of each month.

When an item that the Company is required by regulation to publicly announce is found at the time of announcement to contain an error or omission and correction is required, within two days after finding the error or omission, all announced items shall be again publicly announced and reported in their entirety.

When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions from CPAs, attorneys, and securities underwriters at the headquarters of the Company, where, unless otherwise provided in another law, they shall be retained for at least five years.

#### Article 18: Other matters of material significance

Under any of the following circumstances, after the Company has publicly announced and reported a transaction in accordance with the preceding article, it shall publicly announce and report related information through the information reporting website designated by the Commission within two days from the date of occurrence:

1. There is a change in or termination or rescission of a contract signed in connection with the original transaction.
2. The merger, demerger, acquisition, or share transfer is not completed by the scheduled date set forth in the contract.
3. Any changes to the original announcement.

#### Chapter 6: Supplementary Provisions



#### Article 19: Penalties

Any relevant person who violates these Procedures or any provision herein shall be subject to penalization in accordance with the relevant provisions of the Company.

#### Article 20: Procedures for controlling the acquisition or disposal of assets by subsidiaries

1. The Company shall oversee its subsidiaries to ensure their adoption and execution of procedures for the acquisition or disposal of assets in accordance with the related Regulations Governing Public Companies adopted by the competent authority.
2. Subsidiaries shall themselves conduct reviews of the procedures that they adopt to ensure that they conform with the provisions of relevant regulations and shall conduct reviews of acquisitions or disposals of assets to ensure that they are carried out in accordance with the adopted procedures.
3. The Company's internal auditing personnel shall conduct a secondary review of the review reports of the subsidiaries, and shall notify the Company in writing upon the discovery of any material violation.
4. When a subsidiary of the Company is not a domestic public company, any announcement and reporting of information in connection with its acquisition or disposal of assets that is required pursuant to Chapter 5 herein shall be performed by the Company.

A subsidiary referred to in the preceding paragraph is subject to the public announcement and reporting standards of Article 17, paragraph 1 concerning reaching 20 percent of paid-in capital or 10% of the total assets. The standard shall be based on the paid-in capital amount or the total assets of the Company.

#### Article 21: Derivatives product transactions

The Company shall comply with its Procedures for the Handling of Derivatives Trading when engaging in derivatives transactions, and shall be duly diligent to risk management and auditing matters, to fully implement its internal control system,

#### Article 22: Other matters of material significance

Any matter on which these Procedures are silent, or in which any doubt arises regarding the application hereof, shall be handled in accordance with relevant laws and regulations. Where laws and regulations contain no applicable provisions, the matter shall be handled in accordance with the relevant rules of the Company or through discussion and resolution by the board of directors.

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



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

#### Article 23: Procedures for amendment

These Procedures are adopted in accordance with the laws and regulations, and have been adopted with the approval of one half or more of the entire membership of the Audit Committee, and submitted it to board of directors, and submitted to a shareholders meeting for approval; the same shall apply to any amendment hereto. These Rules are reported for deliberation by the board of directors, the opinions of the Audit Committee shall be given adequate consideration, and their consenting or dissenting opinions and the reasons for them shall be entered into the minutes of the board of directors meeting.

If the action of the preceding paragraph has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The "total number of audit committee members" under paragraph 3 and the "total number of directors" under the preceding paragraph shall be calculated only with respect to those actually currently serving in those positions.