

# Kedge Construction Co., Ltd.

## Regulations for the Acquisition and Disposal of Assets

### Chapter I General Principles

#### I. Purpose and legal basis:

In order to strengthen asset management and implement information disclosure, these Regulations are 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.

#### II. The term "assets" as used in these Regulations includes the following:

- (I) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- (II) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- (III) Memberships.
- (IV) Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- (V) Right-of-use assets.
- (VI) 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.
- (VII) Assets acquired or disposed of in connection with 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.
- (VIII) Other major assets.

### III. Evaluation procedure:

- (I) When the company obtains or disposes of long-term and short-term securities investments (except short-term bills and public bonds) or engages in derivative commodity transactions, financial units shall analyze relevant benefits and evaluate possible risks; and obtain or dispose of real estate, For equipment or its right to use assets, the capital expenditure plan is drawn up by each unit in advance, and the feasibility assessment is carried out on the purpose of acquisition or disposal, expected benefits, etc.; if real estate is acquired from a related party, it shall be assessed in accordance with the provisions of Chapter 2 of this processing procedure Matters such as the reasonableness of trading conditions.
- (II) 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. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. 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).
- (III) If the amount of real estate, equipment or its right to use assets is 20% or more of the company's paid-in capital or more than NT\$300 million in the acquisition or disposal of real estate, equipment, or NT\$300 million or more, an objective and fair professional appraiser should issue a valuation report before the occurrence, and proceed in accordance with the asset valuation procedures of this processing procedure.
- (IV) The company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public 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 public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

(V) The method and reference basis for determining the price of assets acquired or disposed of by the company shall be handled in accordance with the following circumstances, in addition to the opinions of relevant experts such as professional valuation and accountants in accordance with the aforementioned provisions:

1. The acquisition or disposal of securities that have been traded in a centralized trading market or OTC markets is determined based on the prevailing equity or bond price.
2. When acquiring or disposing of securities that are not traded in centralized trading markets or OTC markets, the net value per share, technology and profitability, future development potential, market interest rates, bond coupon rates and debtors' creditworthiness should be considered, and reference should be made to the latest transaction price is agreed upon.
3. To obtain or dispose of a membership card, consider the benefits it can produce, and consult the latest transaction price at that time. To obtain or dispose of intangible assets such as patents, copyrights, trademarks, and franchises, reference should be made to international or market practices, useful life, and the impact on the company's technology and business is negotiated.
4. The acquisition or disposal of real property, equipment or its right to use assets shall be negotiated with reference to the announced present value, assessed present value, actual transaction price or book value of neighboring real estate, and supplier quotations. If the asset is acquired or disposed of with a related party, the calculation should be performed according to the method specified in Chapter 2 of this processing procedure to assess whether the transaction conditions and prices are reasonable. If the transaction amount reaches more than 10% of the company's total assets in the latest individual financial report, a valuation report issued by a professional appraiser or an accountant's opinion shall also be obtained as required.
5. Engaging in derivative commodity transactions should take into account the futures market transaction status, exchange rate and interest rate trends, etc.
6. The nature of the business, net value per share, asset value, technology and profitability, production capacity and future growth potential should be considered when handling mergers, divisions, acquisitions or share transfers.

#### IV. Operating procedures:

##### (I) Authorization amount and level

1. Marketable securities: The person designated by the chairman of the board of directors shall conduct transactions within the quota set in Article 7 of this processing procedure. Those who meet the requirements of Article 5 shall be reported to the chairman of the board for approval on the next day and submitted to the latest board of directors for ratification. However, if the acquisition or disposal of stocks, corporate bonds, and privately placed securities that are not traded in the centralized trading market or over-the-counter trading centers, and the transaction amount reaches the announcement declaration standard, it must be approved by the board of directors. On the other hand, investment in mainland China shall be carried out with the approval of the board of directors or the chairman of the board of directors authorized by the board of directors.
2. Derivative commodity trading:
  - (1) Safe-haven transaction: According to the company's turnover and risk position changes, a person designated by the chairman of the board, a single or cumulative transaction position is traded below USD 1 million (including equivalent currency), and more than USD 1 million, It should be approved by the chairman of the board.
  - (2) Non-hedging transactions: In order to reduce risks, single or cumulative transactions of less than USD 1 million (including equivalent currencies) must be approved by the chairman of the board, and more than USD 1 million must be approved by the board of directors before proceeding transaction.
  - (3) In order for the company's authorization to cooperate with the bank's relative supervision and management, the authorized transaction personnel must inform the bank.
  - (4) Derivative commodity transactions conducted in accordance with the foregoing authorization shall be reported to the latest board of directors after the fact.
3. Acquire or dispose of real estate or its right of use assets from related parties, or acquire or dispose of real estate or its right of use assets with related parties, and the transaction amount reaches 20% of the company's paid-in capital and 10% of total assets or for those with NT\$300 million or more: Relevant materials should be prepared in accordance with the provisions of Chapter 2 of this procedure, and submitted to the audit committee and the board of directors to pass the resolution before signing the transaction contract and making payment.

4. Mergers, divisions, acquisitions or share transfers: relevant procedures and relevant materials shall be prepared in accordance with the provisions of Chapter 4 of this procedure. Mergers, divisions, and acquisitions must be approved by the shareholders meeting, but they are exempted in accordance with other laws. Those who convene a shareholders' meeting to resolve are not limited to this. In addition, the transfer of shares should be approved by the board of directors.
5. Others: It should be handled in accordance with the operating procedures stipulated by the internal control system and the power of approval. If the transaction amount reaches the announcement reporting standard in Article 5, except for acquiring or disposing of equipment for business use or its right to use assets, it shall be commissioned or leased locally. Real estate is acquired by prefectural committee construction, joint construction and sub-housing, joint construction and division, and joint construction and sub-sale. The acquisition or disposal of the real property for construction use may be reported to the board of directors for ratification afterwards, and the board of directors shall pass the resolution first. When submitting a discussion in accordance with the foregoing provisions, it shall first obtain the approval of more than one-half of all members of the audit committee and submit a resolution of the board of directors. If it does not have the consent of more than one-half of all its members, more than two-thirds of all directors may agree to do so, and the resolution of the audit committee should be stated in the minutes of the board of directors. If there are circumstances stipulated in Article 185 of the Company Law, it shall be approved by the shareholders meeting first.

(II) Execution unit and transaction process

The executive units of the company regarding long-term and short-term securities investment and derivative commodity transactions are the financial unit and personnel designated by the chairman; the executive units of real estate and equipment are the user departments and relevant authorities; mergers, divisions, acquisitions or shares for transfer, the chairman of the board will designate the executive unit. After acquiring or disposing of assets has been evaluated and approved in accordance with regulations, the execution unit will conduct the transaction process of contracting, receipt and payment, delivery, and acceptance, and handle the relevant operating procedures of the internal control system depending on the nature of the assets. In addition, acquiring or disposing of assets from related parties, engaging in derivative commodity transactions and mergers, divisions, acquisitions or share transfers shall be handled in accordance with the

provisions of Chapters 2 to 4 of this procedure.

V. Announcement declaration procedure:

(I) If the company acquires or disposes of assets under the following circumstances, the relevant information shall be declared and declared on the website designated by the FSC within two days from the day when the fact occurs.

1. Acquiring or disposing of real estate or its right of use assets from related parties, or acquiring or disposing of real estate or its right of use assets with related parties, and the transaction amount reaches 20% of the company's paid-in capital, or 10% of the total assets in the company's recent individual financial report or more than NT\$300 million. However, this does not apply to buying and selling domestic government bonds, bonds subject to repurchase or sell-back conditions, and subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.
2. Merger, division, acquisition or share transfer.
3. The loss of engaging in derivative commodity transactions reaches the maximum amount of all or individual contract losses as stipulated in Article 14 Item 4 of Chapter 3.
4. For asset transactions other than the preceding three paragraphs or investment in mainland China, the amount of each transaction, or the cumulative amount of acquisition or disposal of the same type of subject transaction with the same counterpart within one year, or the cumulative acquisition or disposal (acquisition, Disposal separately accumulated) the amount of the same development plan real estate or its right to use assets, or the accumulated acquisition or disposal (acquisition and disposal separately) of the same securities within one year, reaching 20% of the company's paid-in capital or over 300 million NTD. The stated period of one year is based on the date when the transaction facts occurred, retrospectively calculated one year in the past, and the announcement part has been exempted from being counted again in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies ". But the following circumstances are not limited to this:
  - (1) Buying and selling domestic government bonds.
  - (2) Buy or sell bonds with buy-back and sell-back conditions, purchase or buy back money market funds issued by domestic securities investment trust enterprises.
  - (3) The type of assets acquired or disposed of is equipment for business use or its right to use assets, and the transaction object is not a related party, and the

transaction amount does not exceed NT\$500 million.

(4) Acquired real estate through self-delegation, lease construction, joint construction of houses, joint construction sharing, joint construction and sub-sale methods, and its transaction partner is not a related party, the company's estimated transaction amount does not reach NT\$500 million above.

(5) Acquiring or disposing of real estate or its right to use assets for construction use and its transaction partner is not a related party, and the transaction amount does not exceed NT\$500 million.

(II) The company shall report on a monthly basis the company and its subsidiaries that are not domestic public offering companies engaged in derivative commodity transactions as of the end of last month in accordance with the format specified in the attached table, and enter it on the designated website of the FSC before the tenth of each month for announcement declaration.

(III) If there are errors or omissions in the announcement of the items that should be announced and should be corrected, all the items shall be re-announced and declared within two days from the day they become known.

(IV) For transactions that have been announced and declared in accordance with the provisions of (I), if one of the following situations occurs, the relevant information shall be declared and declared on the designated website of the FSC within two days from the day when the facts occur:

1. The relevant contract signed by the original transaction has been changed, terminated or cancelled.
2. Mergers, divisions, acquisitions or share transfers are not completed according to the contractual schedule.
3. The content of the original announcement has changed.

#### VI. Asset valuation procedures:

The company acquires or disposes of real property, equipment or its right to use assets, except for transactions with domestic government agencies, self-local construction, leased land commissioning, or acquisition or disposal of equipment or its right to use assets for business use, the transaction amount is up to the company's paid-in capital is 20% or NT\$300 million or more, a valuation report issued by a professional appraiser should be obtained before the fact that it meets the following requirements. However, if the company acquires or disposes of assets through the court auction procedure, it can replace the valuation report or accountant's opinion with the certification document

issued by the court.

- (I) When a limited price, a specific price, or a special price must be used as the reference basis for the transaction price due to special reasons, the transaction shall first be submitted for approval by the board of directors; the same shall apply when there are subsequent changes in the trading conditions.
- (II) If the transaction amount is more than NT\$1 billion, shall have two or more professional appraisers for valuation.
- (III) If the valuation result of the professional appraiser is in one of the following situations, unless the valuation result of the acquired asset is higher than the transaction amount, or the valuation result of the disposition of the asset is lower than the transaction amount, the accountant should be consulted in accordance with the accounting research and development foundation issued the Auditing Standards Bulletin No. 20 stipulates the procedures and expresses specific opinions on the reason for the difference and the fairness of the transaction price:
  - 1. The difference between the valuation result and the transaction amount exceeds 20% of the transaction amount.
  - 2. The difference between the valuation results of two or more professional valuers exceeds 10% of the transaction amount.
- (IV) For professional appraisers, the date of issuance of the report and the date of contract establishment shall not exceed three months. However, if it is applicable to the present value of the announcement in the same period and it is less than six months old, the original professional appraiser may issue an opinion.
- (V) In addition to using a limited price, a specific price or a special price as the reference basis for the transaction price, if the valuation report cannot be obtained immediately for legitimate reasons, the valuation report and the accountant's opinion shall be obtained within two weeks from the day when the fact occurs.

If the company obtains or disposes of membership certificates or intangible assets or the transaction amount of its right to use assets that amounts to 20% of the company's paid-in capital or NT\$300 million or more, in addition to transactions with domestic government agencies, it should happen in fact A few days ago, the accountant was asked to express an opinion on the reasonableness of the transaction price, and the accountant should follow the Auditing Standards Bulletin No. 20 issued by the Accounting Research and Development Foundation.

## VII. Investment scope and amount:

In addition to acquiring assets for business use, the company and its subsidiaries may



invest in real estate and its right-of-use assets or securities that are not for business use. The limits are as follows. When calculating paragraphs 4. and 5., those who participate in investment establishment or serve as directors and intend to hold them for a long time may not be included in the calculation. Subsidiaries shall be recognized in accordance with the provisions of the securities issuer's financial report preparation standards.

- (I) The total amount of non-business real estate and its right to use assets shall not exceed 50% of the owner's equity of the parent company in the company's latest financial statements.
- (II) The total amount of marketable securities shall not exceed 120% of the owner's equity of the parent company in the latest financial statements of the company.
- (III) The investment limit for individual securities shall not exceed 60% of the owner's equity of the parent company in the latest financial statements of the company.
- (IV) The company's net investment in a single listed or OTC company shall not exceed 10% of the net value of the respective company's latest financial statements.
- (V) The company's investment holdings in a single listed or listed company shall not exceed 10% of the total issued shares of the single listed or listed company.
- (VI) The investment scope and amount of the company's subsidiaries shall be handled in accordance with the company's regulations. However, for subsidiaries that specialize in investment, the total amount of investment securities must not exceed the company's net value.

#### VIII. Control of assets acquired or disposed of by subsidiaries:

- (I) The company's subsidiaries shall also formulate "Regulations for the Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", and after approval by the board of directors, send them to the supervisors and submit them to the shareholders' meeting for approval, the same when amendment was made.
- (II) Assets acquired or disposed by the Company's subsidiaries shall be conducted in accordance with the separate Internal Control System and Procedures for Acquisition or Disposal of Assets. The subsidiaries shall compile monthly reports on the status of acquired or disposed assets with values exceeding NT\$10 million or where the aggregated amount of transactions of the same nature exceeds NT\$10 million in the preceding month and the status of derivatives trading up to the end of the preceding month, and report to the Company in writing before the 5th day of each month. The audit unit of the Company shall list the assets

acquired or disposed by the subsidiaries to others as one of the monthly audit items, and the auditing situation shall be listed as one of the necessary items in the audit report to the Board of Directors and the Audit Committee.

(III) If a subsidiary of the company is not a public offering company, and the assets acquired or disposed of by it meet the standards for announcement and declaration, it shall notify the company within the day when the fact occurs, and the company shall handle the announcement and declaration on the designated website in accordance with regulations.

(IV) In the declaration standard of the subsidiary, the "up to 20% of the company's paid-in capital" is based on the company's paid-in capital.

#### IX. Penalties:

When the relevant undertaking staff of the company's acquisition or disposal of assets violates the "Public Offering Companies' Assets Acquisition or Disposal Guidelines" or this processing procedure issued by the FSC, the violation shall be handled in accordance with the following regulations. The violation record will be used as a reference for the annual personal performance appraisal.

(I) Violation of verification authority, evaluation procedures, announcements and declarations: first violators should be given oral warnings, re-offenders should be given written warnings, and mandatory to participate in the company's internal control training courses, repeat offenders or serious circumstances should be transferred.

(II) Those who violate the regulations should also be punished by higher-level supervisors, but those who can reasonably explain that they have taken precautions are not limited to this.

(III) If the board of directors or directors violates relevant regulations and the resolutions of the shareholders meeting in the execution of the business, the audit committee shall notify the board of directors or directors to stop its actions in accordance with Article 218-2 of the Company Law.

## **Chapter II General Principles**

#### X. Basis for identification:

The acquisition or disposal of assets by the company and related parties includes acquisition or exchange. The determination of related parties shall be determined in accordance with the provisions of the securities issuer's financial report preparation standards. In addition to the legal form, the substantive relationship shall be

considered when determining.

XI. Resolution procedure:

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% or more of paid-in capital, 10% or more of the Company's total assets as stated in the most recent individual financial statements, 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 submitted to the board by the units responsible for implementation and approved by the Board of Directors and the Audit Committee:

- (I) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (II) The reason for choosing the related party as a transaction counterparty.
- (III) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.
- (IV) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- (V) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (VI) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- (VII) Restrictive covenants and other important stipulations associated with the transaction.

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

XII. Evaluation of the reasonableness of trading conditions:

The company acquire real property or right-of-use assets thereof from a related party ,except that the related party acquires real estate or its right to use assets due to inheritance or gift; or the time when the related party acquires real estate or its right to use assets is more than the date of the transaction. More than five years; or signed a joint construction contract with the related party, or obtained the real estate by entrusting the related party to build the real estate from the local commission or lease commission construction; or the parent company, the subsidiary company, or directly or indirectly hold 100% In addition to the four situations where subsidiaries with issued shares or total capital obtain real estate use rights assets for business use, the reasonableness of transaction costs should be evaluated according to the following methods, and the accountant should be consulted for review and specific opinions.

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

XIII. Matters shall be handled when the appraised transaction cost is lower than the transaction price:

When the transaction cost of the evaluation result according to the preceding article is lower than the transaction price, except for the following circumstances, and can provide objective evidence and obtain specific and reasonable opinions of the professional appraiser of real estate and the accountant, shall be handled in accordance with the third paragraph.

(I) If the related party obtains plain land or leases land and rebuilds, it may prove that it meets one of the following conditions:

1. The original land is evaluated in accordance with the method specified in the preceding article, and the housing is calculated based on the construction cost of the related party plus reasonable construction profit, and the total amount exceeds the actual transaction price. The so-called reasonable construction profit shall be based on the average operating gross profit margin of the related party construction department in the last three years or the most recent gross profit margin of the construction industry announced by the Ministry of Finance, whichever is lower.
2. Other non-related person transaction cases on other floors of the same target premises or adjacent areas within one year, the areas of which are similar, and the transaction conditions have been evaluated according to the reasonable floor or area price difference according to the real estate sales or leasing practice.

(II) The company provides evidence that the real estate purchased from the related party or leased to obtain the right to use the real estate asset, and the transaction conditions are comparable and similar in size to other non-related party transaction cases in the neighboring area within one year.

The "neighboring area transaction case" mentioned in the preceding paragraph shall be based on the same or adjacent street profile and the radius of the transaction object is less than 500 meters or the current value of the announcement is similar; if the area is similar, other non-related person transaction cases is not less than 50% of the area of the subject matter of the transaction; the said one year is based on the date of the acquisition of the real estate or its right to use assets as the basis, and retrospectively calculated one year forward.

Where the Company acquires real property or right-of-use assets thereof from a related party and the results of the appraised transaction cost conducted in accordance with the preceding Article are uniformly lower than the transaction price in the absence of the circumstances mentioned in Paragraphs 1 of this Article, the following steps shall be taken:

(I) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the 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 a public 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 Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.

(II) Audit Committee shall comply with Article 218 of the Company Act.

(III) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased 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.

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.

### **Chapter III General Principles**

#### **XIV. Transaction Principles and Guidelines:**

- (I) Transaction type: The Company may engage in the types of derivative commodities, including forward contracts, options, interest rate and exchange rate exchanges, futures, leverage contracts, hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. Approval from the Audit Committee and the Board of Directors shall be obtained before engaging in transactions involving other instruments.
- (II) Operation or hedging strategy: The company's derivatives transactions are divided into transactions for the purpose of hedging and those for non-hedging purposes (that is, transactions for the purpose). The main purpose of its strategy should be to avoid operating risks, and the choice of trading products should be based on avoiding risks such as foreign exchange income, expenditure, assets or liabilities arising from the company's business operations. In addition, transaction partners should also choose financial institutions that have business dealings with the company as much as possible to avoid credit risk. Before the transaction, it must be clearly defined as the type of transaction such as hedging or financial operations in pursuit of investment income, as the basis of accounting.
- (III) Transaction amount:

1. Hedging transactions: the net foreign exchange position (including the net position expected to be generated in the future) after the combined assets and liabilities is the upper limit for hedging.
  2. Non-hedging transactions: no more than 1.5 million US dollars. Before execution, traders should submit a foreign exchange trend analysis report, the content of which must include foreign exchange market trend analysis and suggested operating methods, which can only be done after approval.
- (IV) The maximum amount of loss for all and individual contracts:
1. Safe-haven transactions: Safe-haven transactions are traded for the actual needs of the company, and the risks they face have been evaluated and controlled in advance, so there is no issue of the upper limit of the loss.
  2. Non-hedging transactions: After the position is established, a stop loss point should be set up to prevent excessive losses. The stop loss point should not exceed 10% of the transaction contract amount as the upper limit, and the total cumulative loss for the year should not exceed US\$300,000.
- (V) Division of powers and responsibilities:
1. Transaction personnel: the executive personnel of the company's derivative commodity transactions, whose candidates are designated by the chairman of the board. Responsible for the formulation of trading strategies within the scope of authorization, the execution of trading instructions, the disclosure of future trading risks, and the provision of real-time information to relevant departments for reference.
  2. Accounting Department: Responsible for the confirmation of transactions, enters the account in accordance with relevant regulations and saves transaction records, regularly evaluates the fair market value of the positions held, and provides them to the transaction specialists, and discloses the relevant derivative products in the financial statements matter.
  3. Treasury Department: Responsible for the settlement of derivative commodity transactions.
- (VI) Essentials of performance evaluation:
1. Hedging transactions: The performance evaluation is based on the cost of exchange (interest) rate on the company's book and the profit and loss arising from engaging in derivative financial transactions. The performance is evaluated at least twice a month and the performance is presented to the management for reference.
  2. Non-hedging transactions: take the actual profit and loss as the basis for

performance evaluation, evaluate at least once a week, and present the performance to the management for reference.

XV. Risk management measures:

The company is engaged in derivative commodity transactions, and its risk management scope and risk management measures to be adopted are as follows:

- (I) Credit risk considerations: The choice of trading objects is based on the principle of financial institutions and futures brokers that have good reputations with the company and can provide professional information.
- (II) Market risk considerations: The possible loss of derivative products due to future market price fluctuations is uncertain, so the stop-loss point setting should be strictly observed after the position is established.
- (III) Liquidity risk consideration: In order to ensure the liquidity of trading commodities, the trading institution must have sufficient equipment, information and trading capabilities and be able to trade in any market.
- (IV) Consideration of flow operation risk: Must comply with the authorized quota and operation process to avoid operation risk.
- (V) Consideration of legal risks: For any contractual documents signed with financial institutions, use international standardized documents as much as possible to avoid legal risks.
- (VI) Considering the risk of liquid commodities: internal traders should have complete and correct professional knowledge of the derivative commodities to be traded to avoid misuse of derivative commodities leading to losses.
- (VII) Consideration of cash delivery risks: Authorized traders should strictly abide by the regulations in the authorized limit, and should pay attention to the company's cash flow at ordinary times to ensure that there is sufficient cash payment at the time of delivery.
- (VIII) Transaction personnel and confirmation and delivery personnel shall not concurrently serve each other.
- (IX) Confirmation personnel should regularly reconcile or write to the correspondent bank, and check whether the total transaction amount exceeds the upper limit stipulated in this processing procedure at any time.
- (X) Risk measurement, supervision and control personnel should belong to different departments from those in 8, and should report to the board of directors or to high-level executives who are not responsible for making decisions on transactions or positions.



- (XI) The position held should be evaluated at least once a week, but if it is necessary for the business to conduct a hedging transaction, it should be evaluated at least twice a month, and the evaluation report should be sent to the chairman of the board.

XVI. Internal audit system:

- (I) The Company's auditors shall, on a regular basis, check the adequacy of the Company's internal control system for derivatives transactions. They shall conduct monthly audits on the trading department to ensure compliance according to Procedures for Derivatives Trading. Audit reports shall be produced. The auditors are required to immediately notify the Chairman of the Board and senior management designated by the Board of Directors and advise the members of the Audit Committee in writing if any significant violations are found.
- (II) The company's auditors shall include derivative commodity transactions in the audit plan, and report the implementation of the previous year's annual audit plan to the designated website of the FSC by the end of February of the following year, and no later than the end of May of the following year, report the improvement of abnormal matters to the Financial Management Committee for future reference.

XVII. Regular assessment methods and exception handling situations:

- (I) Monthly or weekly evaluation of derivatives transactions, and summarizing the profit and loss of the current month or week and the open positions of non-hedging transactions, and submitting it to the senior executives and chairman authorized by the board of directors as a reference for management performance evaluation and risk measurement.
- (II) The senior executives designated by the board of directors of the company should always pay attention to the supervision and control of derivative commodity transaction risks. The board of directors should also assess whether the performance of the derivative commodity transaction is in line with the established business strategy and whether the risk taken is within the acceptable range of the company.
- (III) Senior executives authorized by the board of directors shall manage derivative commodity transactions in accordance with the following principles:
  - 1. Regularly assess whether the risk management measures currently in use are appropriate and do it in accordance with the "Standards for the Acquisition or Disposal of Assets by Public Offering Companies" and the relevant regulations

of this processing procedure set by the FSC.

2. Supervise the transaction and profit and loss situation, and if any abnormal situation is found, it shall take necessary response measures and report to the board of directors immediately. The board of directors should have independent directors present and express their opinions.
- (IV) The company shall establish a reference book when engaging in derivative commodity transactions, detailing the type and amount of derivative commodity transactions, the date of approval by the board of directors, the monthly or weekly evaluation report, and the regular evaluation items of the board of directors and senior executives authorized by the board of directors.

#### **Chapter IV Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares**

- XVIII. The company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public 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 public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
- XIX. The company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include 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.

XX. Unless otherwise stipulated by other laws or approved by the Financial Management Committee in advance, when the company participates in a merger, division or acquisition, it shall hold a board of directors and shareholders meeting on the same day as other participating companies to resolve merger, division or acquisition related matters; when participating in the transfer of shares, the board of directors shall be held on the same day as the other participating companies.

When the company participates in mergers, divisions, acquisitions, or share transfers, the following information shall be completed in written records and kept for five years for inspection:

(I) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.

(II) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

(III) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When the company participates in a merger, demerger, acquisition, or transfer, shall within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report 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 shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

XXI. Conversion ratio and purchase price:

The conversion ratio or purchase price of mergers, divisions, acquisitions or share transfers shall not be arbitrarily changed except for the following circumstances.

(I) Cash capital increase, issuance of convertible corporate bonds, or the issuance of

bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.

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

XXII. The contract for participation by a public 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:

- (I) Handling of breach of contract.
- (II) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- (III) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- (IV) The manner of handling changes in the number of participating entities or companies.
- (V) Preliminary progress schedule for plan execution, and anticipated completion date.
- (VI) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

XXIII. Other matters to note when the company participates in mergers, divisions, acquisitions or share transfers:

- (I) Those who participate in or know about mergers, divisions, acquisitions, or share transfers are required to issue a written confidentiality commitment. Before the information is disclosed, the contents of the plan shall not be disclosed to the outside world, nor may they buy or sell the stocks of all related companies on their own or in the name of others and other securities with the

nature of equity.

- (II) After the information on mergers, divisions, acquisitions, or share transfers is disclosed, if you plan to merge, split, acquire, or transfer shares with other companies, unless the number of participating companies is reduced, and the shareholders' meeting has resolved and authorized the board of directors to change the authority, in addition to avoiding the convening of a shareholders meeting to re-execute the resolution, the completed procedures or legal actions in the original case shall be re-conducted.
- (III) If the company participating in the merger, division, acquisition or share transfer has a non-public offering company, the company shall sign an agreement with it and handle it in accordance with Article 20 and the preceding two paragraphs of this procedure.

## **Chapter V Other important matters**

XXIV. 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.

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

- (I) 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.
- (II) May not be a related party or de facto related party of any party to the transaction.
- (III) 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:

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

XXVI. With respect to any asset acquisition or disposal that is subject to the approval of the Board of Directors in accordance with the Procedures or other laws or regulation, if any Director expresses dissent and it is contained in the records or a written statement, the Company shall submit information regarding the Director's dissenting opinion to the members of the Audit Committee.

When submitting the acquisition or disposal of assets to the board of directors for discussion in accordance with the preceding paragraph, the opinions of independent directors shall be fully considered. If independent directors have objections or reservations, they shall be stated in the minutes of the board of directors.

XXVII. The Procedures shall first be passed by the Board of Directors and the Audit Committee before it is submitted to the shareholders' meeting for approval and implementation. The same shall apply to any amendment. If a Director expresses dissent and it is contained in the records or a written statement, the information regarding the Director's dissenting opinion shall be submitted to the members of the Audit Committee.

Where the Procedure is submitted for discussion of the Audit Committee in accordance with the preceding paragraph, the Procedure shall first be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all Audit Committee members as required is not obtained, the procedures may be implemented if

approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board meeting.

The terms "all Audit Committee members" and "all Directors" in paragraph 2 shall be counted as the actual number of persons currently holding those positions.

When the Procedures are submitted for discussion by the Board of Directors pursuant to the Paragraph 1, the board of directors shall take into full consideration the opinions of each Independent Director; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board meeting.

XXVIII. This amendment was made on Jun. 15, 2020.