

# **Tainergy Tech. Co., Ltd.**

## **Regulations Governing the Acquisition and Disposal of Assets**

### **Article 1: Purpose**

In order to strengthen asset management, safeguard investments, and ensure information disclosure, these processing procedures are established. The acquisition or disposal of assets by the company shall be conducted in accordance with these processing procedures. However, if there are other provisions in financial related laws, such provisions shall prevail.

### **Article 2: Legal Basis**

These processing procedures are formulated in accordance with the provisions of the Financial Supervisory Commission (hereinafter referred to as "FSC") "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."

### **Article 3: Scope of Assets**

The scope of assets referred to in these processing procedures includes the following:

1. Investments such as stocks, government bonds, corporate bonds, financial bonds, commendation fund securities, depositary receipts, subscription (sale) warrants, beneficial securities, and asset-backed securities.
2. Real estate (including land, buildings, investment properties, and construction industry inventories) and equipment.
3. Membership certificates.
4. Intangible assets such as patent rights, copyrights, trademarks, and franchise rights.
5. Assets with usage rights.
6. Financial institution claims (including receivables, foreign exchange discounts and loans, and collection payments).
7. Derivative products.
8. Assets acquired or disposed of through legal mergers, divisions, acquisitions, or share transfers.
9. Other significant assets.

### **Article 4: Definitions of Related Terms**

1. **Derivative Products:** Refers to forward contracts, option contracts, futures contracts, leverage margin contracts, exchange contracts, combinations of the aforementioned contracts, or structured products derived from specific interest rates, financial instrument prices, commodity prices, exchange rates, indices, or other benefits related to commodities. The term "forward contract" does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sale) contracts.
2. **Assets Acquired or Disposed of through Legal Mergers, Divisions, Acquisitions, or**

Share Transfers: Refers to assets acquired or disposed of through mergers, divisions, or acquisitions conducted in accordance with the Company Merger Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws, or through the issuance of new shares to acquire shares of another company as defined in Article 156-3 of the Company Act (hereinafter referred to as "share transfers").

3. Related Parties, Subsidiaries: To be determined in accordance with the regulations stipulated in the Financial Statements Preparation Guidelines for Securities Issuers.
4. Professional Appraisers: Refers to real estate appraisers or other individuals or entities legally authorized to engage in real estate or equipment appraisal businesses.
5. Date of Occurrence: Refers to the earlier of the following dates: the transaction signing date, payment date, date of commission execution, transfer date, date of board resolution, or any other date relevant to determining the transaction object and amount. However, for investors requiring approval from competent authorities, the earlier of the aforementioned dates or the date of receipt of approval from the competent authorities shall apply.
6. Mainland China Investment: Refers to investments or technology cooperations conducted in Mainland China as permitted by the Investment Review Committee of the Ministry of Economic Affairs, in accordance with the Regulations Governing Investment in Mainland China.
7. Professional Investors: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms engaged in proprietary or underwriting businesses, futures firms engaged in proprietary businesses, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies established in accordance with the law and subject to supervision by local financial supervisory authorities.
8. Securities Exchange: Domestic securities exchange refers to the Taiwan Stock Exchange Corporation; foreign securities exchange refers to any organized securities trading market supervised by the relevant foreign securities regulatory authority.
9. Securities Firm Branch Office: Domestic securities firm branch office refers to the location designated by a securities firm according to the Regulations Governing Securities Firms Engaging in Trading of Securities for the purpose of conducting transactions; foreign securities firm branch office refers to the branch office of a financial institution subject to the supervision of the foreign securities regulatory authority and engaged in securities business.

#### Article 5: Requirements for Appraisers and Professionals Providing Reports

The professional appraisers, their personnel, accountants, lawyers, or securities underwriters involved in the valuation report, opinions, or certificates obtained by the company shall comply with the following provisions:

1. They must not have been sentenced to imprisonment for more than one year due to violations of this law, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, the Commercial Accounting Act, or convicted of fraud, breach of trust, embezzlement, forgery of documents, or any other criminal act related to their business. However, those who have completed their sentence, reached the end of their probation, or have been granted amnesty for at least three years are not subject to this limitation.

2. They must not be related parties or have substantial relationships with the parties involved in the transaction.
3. If the company is required to obtain valuation reports from two or more professional appraisers, different appraisers or their personnel shall not be related parties or have substantial relationships with each other.

The personnel mentioned above, when issuing the valuation report or opinions, shall adhere to the self-disciplinary rules of their respective professional associations and comply with the following matters:

1. Before accepting a case, they should carefully assess their own professional capabilities, practical experience, and independence.
2. When conducting case audits, they should plan and execute appropriate procedures to form conclusions and issue reports or opinions. They must fully record the procedures, collected data, and conclusions in the case work papers.
3. They should evaluate each data source, parameter, and information used in the process for its appropriateness and reasonableness as the basis for issuing the valuation report or opinions.
4. The statements should include relevant personnel's qualifications in terms of professionalism and independence, confirmation that the information used is reasonable and accurate, and compliance with relevant laws and regulations.

Article 6: When the company acquires or disposes of assets, it should follow the processing procedures specified in these regulations or other legal provisions that require approval by the Board of Directors. If any director expresses objections and provides records or written statements, the company shall submit the dissenting director's information to the Audit Committee for review.

In cases where the company has established independent directors as required by the Securities Exchange Act, when submitting asset acquisition or disposal transactions for discussion at the Board of Directors as per the above provision, due consideration should be given to the opinions of all independent directors. If any independent director expresses dissenting or reserved opinions, it should be recorded in the minutes of the Board of Directors meeting.

If the company has established an Audit Committee as required by the Securities Exchange Act, significant asset or derivative product transactions shall require the consent of more than half of all members of the Audit Committee and be submitted for approval by the Board of Directors.

If the above requirement does not obtain the consent of more than half of all members of the Audit Committee, the transaction may still proceed with the approval of more than two-thirds of all directors, and the decision of the Audit Committee should be recorded in the minutes of the Board of Directors meeting.

The term "all members of the Audit Committee" and "all directors" mentioned in the third and fourth paragraphs shall be calculated based on the actual incumbents.

Article 7: Limits on Acquiring Non-Business-Use Real Estate or Securities

1. The limits on the acquisition of non-business-use real estate or securities by the company are as follows:
  - (a) The total amount of purchasing non-business-use real estate shall not exceed sixty percent (60%) of the company's most recent financial statement's net worth.
  - (b) The total amount of investing in securities and the individual limits on securities shall not exceed one hundred percent (100%) of the company's most recent financial statement's net worth. However, this shall not affect the trading of securities for capital gains and losses (such as repurchase agreements and domestic bond-type funds), which may be excluded from the calculation of the total investment amount.
2. The limits on acquiring non-business-use real estate or securities by the company's subsidiaries are as follows:
  - (a) The total amount of purchasing non-business-use real estate shall not exceed sixty percent (60%) of each respective subsidiary's most recent financial statement's net worth.
  - (b) The total amount of investing in securities and the individual limits on securities shall not exceed eighty percent (80%) of each respective subsidiary's most recent financial statement's net worth.

#### Article 8: Evaluation and Operational Procedures for Acquiring or Disposing of Securities

##### 1. Pricing Method and Reference Basis:

When acquiring or disposing of securities, the company should use the most recent financial statements that have been audited or reviewed by certified public accountants of the target company as a reference for evaluating the transaction price. However, this requirement does not apply if the securities have an active market with publicly quoted prices or if there are other regulations by the Financial Supervisory Commission (FSC).

##### 2. Engaging Experts for Opinion:

When the transaction amount for acquiring or disposing of securities reaches twenty percent (20%) of the company's paid-in capital or exceeds three hundred million New Taiwan Dollars, the company should consult a certified public accountant to provide an opinion on the reasonableness of the transaction price. If the accountant needs to rely on an expert report, they should follow the guidelines specified in Bulletin No. 20 of the Auditing Standards issued by the Chinese Institute of Certified Public Accountants (CICPA). However, this requirement does not apply if the securities have an active market with publicly quoted prices or if there are other regulations by the FSC.

For assets acquired or disposed of through court auction procedures, the certificate issued by the court may be used in place of the accountant's opinion.

##### 3. Authorization Quota and Approval Levels:

For the acquisition or disposal of long-term or short-term investment securities, if the transaction amount is below one hundred million New Taiwan Dollars, approval from the Chairman of the Board is required. If the transaction amount exceeds or is equal to one hundred million New Taiwan Dollars, approval from the Board of Directors is necessary. However, for trading securities for capital gains and losses (e.g., repurchase agreements, bond-type funds, etc.), the Finance Department's highest authority can approve the transaction without being subject to the above limitations.

#### 4. Executing Unit:

The Finance Department is responsible for the acquisition and disposal operations of long-term and short-term investment securities.

#### 5. Transaction Process:

The transaction process for acquiring or disposing of securities by the company shall comply with the relevant provisions of the company's internal control system.

### Article 9: Evaluation and Operational Procedures for Acquiring or Disposing of Real Estate and Equipment

#### 1. Pricing Method and Reference Basis:

When acquiring or disposing of real estate, equipment, or assets with usage rights, the asset management unit should refer to publicly announced current values, appraised values, actual transaction prices of adjacent real estate, recent transaction prices of similar assets, etc., submitted with explanations by the original using unit or relevant responsible unit. The pricing can be determined through comparison, negotiation, or bidding.

#### 2. Engaging Experts for Valuation Reports:

For the acquisition or disposal of real estate, equipment, or assets with usage rights, except for transactions with domestic government agencies, self-development, leased land development, or the acquisition or disposal of equipment or assets with usage rights for business purposes, if the transaction amount reaches twenty percent (20%) of the company's paid-in capital or exceeds three hundred million New Taiwan Dollars, a professional appraiser should issue an evaluation report before the date of the transaction. The report should comply with the following provisions:

- (a) In cases where a limited price, specific price, or special price is used as a reference for the transaction due to special reasons, such transaction should first be approved by the Board of Directors. Any subsequent changes to the transaction conditions should also be approved.
- (b) If the transaction amount exceeds one billion New Taiwan Dollars, the evaluation should be carried out by two or more professional appraisers.
- (c) If any of the following conditions occur in the evaluation report by the professional appraiser, except when the evaluation results for the acquisition of assets are all higher than the transaction amount or the disposal of assets are all lower than the transaction amount, the company should consult with the accountant to provide specific opinions on the reasons for the differences and the reasonableness of the transaction price:
  - 1. The difference between the evaluation results and the transaction amount exceeds twenty percent (20%) of the transaction amount.
  - 2. The difference between the evaluation results from two or more professional appraisers exceeds ten percent (10%) of the transaction amount.
- (d) The date of issuance of the evaluation report by the professional appraiser should not exceed three months from the date of the contract's establishment. However, if the same current value applies and has not exceeded six months, the original professional appraiser may issue an opinion letter.

### 3. Authorization Quota and Approval Levels:

For the acquisition or disposal of real estate and equipment, except for equipment for business purposes, if the transaction amount is below one hundred million New Taiwan Dollars, the signing and approval should be carried out according to the "Decision-making Authority Table." If the transaction amount exceeds or is equal to one hundred million New Taiwan Dollars, approval from the Board of Directors is required.

### 4. Executing Units:

The units responsible for the acquisition and disposal of real estate and equipment are the using department and relevant responsible units.

### 5. Transaction Process:

The transaction process for acquiring or disposing of real estate and equipment by the company shall comply with the relevant provisions of the company's internal control system.

## Article 10: Evaluation and Operational Procedures for Acquiring or Disposing of Real Estate or Assets with Usage Rights from Related Parties

When the company acquires or disposes of real estate or assets with usage rights from related parties, or engages in other transactions with related parties involving assets, and the transaction amount reaches twenty percent (20%) of the company's paid-in capital, ten percent (10%) of total assets, or exceeds three hundred million New Taiwan Dollars, the following information should be submitted to the Audit Committee and approved by the Board of Directors before signing the transaction contract and making payments:

### 1. When acquiring or disposing of real estate or assets with usage rights from related parties, the following information should be submitted and approved by the Audit Committee and the Board of Directors:

- (a) The purpose, necessity, and expected benefits of acquiring or disposing of the real estate or assets.
- (b) The reasons for selecting the related party as the transaction counterparty.
- (c) Relevant information on the reasonableness of the expected transaction conditions for acquiring or disposing of real estate or assets with usage rights from related parties, in accordance with the provisions of the first and third paragraphs of this article.
- (d) Information on the date and price when the related party originally acquired the assets, the transaction counterparty, and its relationship with the company and the related party.
- (e) A cash flow forecast for the next year, starting from the contract month, to assess the necessity and reasonableness of the transaction funds.
- (f) The evaluation report issued by the professional appraiser in accordance with the provisions of the preceding article, or the opinion of the accountant.
- (g) Restrictive conditions and other important contractual provisions of the transaction.

For transactions conducted between the company and its parent company, subsidiary companies, or subsidiary companies holding one hundred percent (100%) of the issued shares or total capital, the following transactions can be authorized by the Chairman of

the Board within a certain limit and reported to the most recent Board of Directors for retrospective approval:

- (a) Acquiring or disposing of equipment or assets with usage rights for business purposes.
- (b) Acquiring or disposing of real estate usage rights for business purposes.

In the case of the first paragraph, if the transaction amount reaches ten percent (10%) of the company's total assets, the company should submit the information mentioned in the first paragraph to the shareholders' meeting for approval before signing the transaction contract and making payments. However, this requirement does not apply to transactions conducted between the company and its parent company, subsidiary companies, or transactions among subsidiary companies.

The calculation of the transaction amount in the first and preceding paragraphs should comply with the provisions of Article 15, Paragraph 2. The term "one year" in this article refers to one year before the date of the actual occurrence of the transaction, and any transactions that have already been submitted to the shareholders' meeting, approved by the Board of Directors, and recognized by the supervisor in accordance with this procedure shall be excluded.

## 2. Evaluation of Transaction Costs Reasonableness:

- (a) When acquiring real estate or assets with usage rights from related parties, the reasonableness of the transaction costs should be evaluated using one of the following methods:

- 1. The transaction price with the related party plus necessary funds' interest and costs borne by the buyer in accordance with the law. The necessary funds' interest costs shall be calculated based on the weighted average interest rate of the loans taken by the company in the year of purchasing assets, but the interest rate should not exceed the maximum borrowing rate announced by the Ministry of Finance for non-financial institutions.

- 2. If the related party has previously set a mortgage loan on the subject matter with a financial institution, the total valuation of the financial institution's lending for the subject matter should be considered. However, the actual accumulated lending value by the financial institution for the subject matter should account for at least seventy percent (70%) of the total valuation, and the lending period should have been over one year. This provision does not apply when a financial institution and a party to the transaction are related parties.

- (b) In the case of a consolidated purchase or lease of the same subject matter of land and houses, the transaction costs may be evaluated separately according to any of the methods mentioned in subparagraph (a).

- (c) When acquiring real estate or assets with usage rights from related parties, the costs of real estate should be evaluated in accordance with the provisions of subparagraph (a) and (b), and the evaluation should be reviewed and specifically commented by the accountant.

- (d) In the case of acquiring real estate or assets with usage rights from related parties with any of the following conditions, the provisions of subparagraph (a) to (c) above shall not apply:

- 1. The related party acquired the real estate or assets through inheritance or gift.

2. The date of the contract for acquiring real estate or assets with usage rights from the related party has been more than five years.
  3. Signing a joint development contract with the related party or acquiring real estate through a commission such as self-development or leased land development from the related party.
  4. A public company acquiring real estate usage rights for business purposes from its parent company, subsidiary companies, or subsidiary companies holding one hundred percent (100%) of the issued shares or total capital.
3. If the evaluation results based on subparagraphs (1) and (2) are both lower than the transaction price, the provisions of the first paragraph of this article should be followed. However, there are exceptions if objective evidence and specific reasonable opinions from a real estate professional appraiser and an accountant are provided for the following situations:
- (a) If the related party acquired bare land or leased land for subsequent construction, they may provide evidence that meets one of the following conditions:
    1. The bare land is evaluated according to the method specified in Paragraph 2, and the building is assessed by adding a reasonable construction profit to the related party's construction cost, resulting in a total amount exceeding the actual transaction price. The "reasonable construction profit" should be based on either the average gross profit rate of the related party's construction department in the last three years or the latest gross profit rate announced by the Ministry of Finance for the construction industry, whichever is lower.
    2. Within one year, there have been other non-related party transactions involving other floors of the same property or nearby areas, with similar area sizes, and the transaction conditions are comparable after considering the reasonable price differences for floors or areas according to customary real estate buying, selling, or leasing practices.
    3. Within one year, there have been other non-related party lease transactions involving other floors of the same property, and the transaction conditions are comparable after estimating the reasonable price differences for floors according to customary real estate leasing practices.
  - (b) If there is evidence that the real estate or asset with usage rights acquired from the related party has transaction conditions similar to other non-related party transactions involving the same area within one year, and the area size is comparable.

The "nearby area transaction cases" refer to those in the same or adjacent blocks within a radius of five hundred meters from the transaction subject or those with similar public announcement values. The "comparable area size" means that the area size of other non-related party transactions is not less than fifty percent (50%) of the area size of the subject matter. The "one year" in this context is based on the date of the actual occurrence of the acquisition of the real estate or asset with usage rights, looking back one year from that date.

4. If, based on the evaluation in accordance with Paragraphs (2) and (3) above, the results are both lower than the transaction price, the following actions should be taken:
  - (a) The difference between the transaction price and the evaluation cost of the real estate or assets should be set aside in a special surplus reserve, according to the provisions



of Article 41, Paragraph 1, of the Securities and Exchange Act. It should not be distributed or converted into capital increase stocks. For investors who adopt the equity method of accounting for the company's investments and are public companies, the special surplus reserve should also be set aside based on the amount of the provision according to their shareholding ratio, following the provisions of Article 41, Paragraph 1, of the Securities and Exchange Act.

- (b) The Audit Committee should handle the matter according to the provisions of Article 218 of the Company Act. For companies that have set up an Audit Committee in accordance with the regulations of this law, the provisions of the preceding paragraph regarding independent director members of the Audit Committee shall apply.
- (c) The situations addressed in (a) and (b) should be reported to the shareholders' meeting, and the detailed content of the transaction should be disclosed in the annual report and public disclosure documents.

After setting aside the special surplus reserve as stipulated in the preceding paragraph, the funds may only be used with the approval of the Financial Supervisory Commission after the assets acquired at a higher price or leased have recognized impairment losses, or the lease contract has been terminated or compensated appropriately, or other evidence has confirmed that there is no unreasonable situation.

- 5. If there is other evidence showing that the transaction involves irregularities in normal business practices, the provisions of Paragraph 4 should also be followed.

#### Article 11: Evaluation and Procedures for Acquiring or Disposing of Intangible Assets or Their Usage Rights or Membership Certificates

##### 1. Price Determination and Reference Basis:

When acquiring or disposing of intangible assets or their usage rights or membership certificates, consideration should be given to the potential future benefits and market fair value of such assets. When necessary, expert opinions may be sought, and the transaction should be agreed upon with the counterparty.

##### 2. Requesting Expert Opinions:

For transactions involving the acquisition or disposal of intangible assets or their usage rights or membership certificates, where the transaction amount reaches twenty percent of the company's paid-in capital or exceeds NTD 300 million, except for transactions with government agencies, an accountant's opinion on the reasonableness of the transaction price should be obtained before the occurrence of the transaction.

In the case of assets acquired or disposed of through court auction procedures, the certificate issued by the court may replace the appraisal report or accountant's opinion.

##### 3. Authorized Quota and Approval Levels:

For transactions involving the acquisition or disposal of intangible assets or their usage rights or membership certificates, where the transaction amount is equal to or less than NTD 100 million, approval from the Chairman of the Board is required. Transactions exceeding NTD 100 million require approval from the Board of Directors.

##### 4. Execution Unit:

The execution unit for the acquisition or disposal of intangible assets or their usage rights

or membership certificates shall be the Finance Department, management units, and related responsible units.

#### 5.Transaction Process:

The transaction process for the acquisition or disposal of intangible assets shall comply with the relevant provisions of the company's internal control system.

#### Article 11-1 Calculation of Transaction Amounts in Articles 8, 9, 11, etc.

The calculation of transaction amounts in Articles 8, 9, 11, and other relevant articles shall be conducted in accordance with the provisions of Article 15, Paragraph 2. The term "within one year" refers to the period starting from the actual occurrence date of the current transaction and tracing back one year. The part of the transaction amount that has already been assessed by a professional appraisal report or accountant's opinion in accordance with this processing procedure shall be partially exempted from further calculation.

#### Article 12: Evaluation and Procedures for Acquiring or Disposing of Financial Institution's Claims

The company generally does not engage in transactions involving the acquisition or disposal of financial institution's claims. If there is a need to engage in such transactions in the future, the relevant evaluation and procedures will be established after obtaining approval from the Board of Directors.

#### Article 13: Evaluation and Procedures for Acquiring or Disposing of Derivative Products

##### 1.Trading Principles and Policies

##### (a) Types of Transactions:

The company's derivative product transactions are classified into "non-trading" (hedging transactions not for trading purposes) and "trading" (non-hedging transactions for trading purposes) based on their objectives.

##### (b) Business or Hedging Strategies:

The purpose of the company's derivative product transactions is risk mitigation, and the selection of trading products should focus on mitigating risks related to the company's business operations. When engaging in derivative product transactions, the company should choose reputable financial institutions for hedging transactions to avoid credit risk.

##### (c) Division of Responsibilities:

The responsibilities of various units engaged in derivative product transactions are as follows:

1. Purchasing Department: Responsible for formulating strategies related to commodity futures trading and conducting transactions within authorized limits.
2. Financial Unit: Responsible for formulating strategies related to derivative products other than commodity futures and conducting transactions within authorized limits.
3. Accounting Unit: Responsible for accounting treatment of derivative product transactions, preparation of financial statements, and regular data aggregation.
4. Audit Unit: Ensure the appropriateness of responsibilities division and operational procedures regarding internal controls and verify compliance with the processing

procedures.

For "non-trading" derivative product transactions, the following authorization limits apply:

| Approval level or signing authority.  | Transaction Amount  | Cumulative Net Position                                   |
|---|---|---|
| Board of Directors  | For transaction amounts exceeding 20 million USD.         | For transaction amounts exceeding 60 million USD.         |
| After approval by the Chairman, it shall be reported to the most recent Board of Directors for retrospective recognition. | For transaction amounts equal to or below 20 million USD  | For transaction amounts equal to or below 60 million USD  |
| After approval by the Chairman.   | For transaction amounts equal to or below 10 million USD. | For transaction amounts equal to or below 10 million USD. |
| After approval by the General Manager.  | For transaction amounts equal to or below 5 million USD.  | For transaction amounts equal to or below 5 million USD.  |

For "trading" derivative product transactions, each transaction must be approved by the Chairman and subsequently submitted for retroactive approval at the most recent Board of Directors meeting.

(d) Performance Evaluation

(a) "Non-trading" Derivative Products:

For each contract's expiration date, the Finance Department will use the realized net profit or loss as the basis for performance evaluation, comparing gains and losses against set trading objectives and conducting regular reviews, reporting to the Chairman for review.

(b) "Trading" Derivative Products:

The realized positions will be based on the actual profit or loss realized by the Finance Department. The unrealized positions will be calculated based on daily closing prices to assess the profit or loss of outstanding positions as a reference for performance evaluation.

(e) Contract Amount

The contract amount for "non-trading" derivative product transactions shall not exceed 60% of the company's net worth. For "trading" derivative product transactions, the contract amount shall not exceed 20% of the company's net worth.

(f) Loss Limit

(a) For "non-trading" derivative product transactions, which aim to mitigate risks, the loss limit should not exceed 3% of the most recent financial statement's net worth. This applies to individual contracts and all contracts combined.

- (b) For "trading" derivative product contracts, after the positions are established, stop-loss points should be set to prevent excessive losses, with the stop-loss limit not exceeding 10% of the individual contract amount. If the loss amount exceeds 10% of the trading amount, it should be reported to the General Manager and the Board of Directors for necessary action.
- (c) The annual loss limit for the company's "trading" derivative product operations should not exceed 1% of the most recent financial statement's net worth.

## 2 、 Risk Management Measures

### (1) Scope of Risk Management:

- (a) Credit Risk Management - Transactions should be conducted with creditworthy domestic and foreign financial institutions that can provide professional information as a principle. The financial manager should be responsible for controlling the trading limits with the financial institutions and avoid excessive concentration. The trading limits with financial institutions should be adjusted based on market conditions.
  - (b) Market Risk Management - Quoted information should come from fully transparent markets.
  - (c) Liquidity Risk Management - To ensure liquidity, financial institutions engaged in transactions must have adequate equipment, information, and trading capabilities to operate in any market.
  - (d) Cash Flow Risk Management - To ensure the stability of the company's operating capital turnover, funding for derivative trading should be limited to the company's own funds, and the transaction amount should consider the cash flow forecast for the next three months.
  - (e) Operational Risk Management - Compliance with authorized limits, operating procedures, and other regulations must be strictly observed to avoid operational risks.
  - (f) Legal Risk Management - Any documents signed with financial institutions should be reviewed by the legal department before formal signing to avoid legal risks.
- (2) Traders engaged in derivative transactions and personnel involved in confirmation and settlement operations shall not hold dual positions.
  - (3) Risk measurement, supervision, and control personnel should be separate from the personnel mentioned in the preceding paragraph, and they should report to the board of directors or to senior executives responsible for trading or position decisions.
  - (4) The positions held in derivative transactions should be regularly evaluated, following the provisions of the preceding paragraph (1).

## 3 、 Internal Audit System

The internal audit personnel of the company should regularly review the appropriateness of internal controls for derivative transactions and conduct monthly audits to check compliance with the handling procedures for derivative transactions.

Audit reports should be prepared, and in case of significant violations, the audit committee should be notified in writing.

#### 4 、 Regular Evaluation and Handling of Abnormal Situations

- (1) The positions held in derivative transactions should be evaluated at least once a week. However, if the transactions are conducted for business needs as hedging transactions, they should be evaluated at least twice a month. Evaluation reports should be submitted to senior executives authorized by the board of directors.
- (2) The board of directors should authorize senior executives to regularly supervise and evaluate whether the current risk management measures are appropriate, whether derivative transactions are conducted in accordance with regulations, whether the performance of derivative transactions is in line with established business strategies, and whether the risks assumed are within the company's acceptable scope. If any abnormal situation is found, necessary measures should be taken and reported to the board of directors immediately.

#### 5 、 Supervision and Management by the Board of Directors

- (1) The board of directors should effectively supervise and manage derivative transactions conducted by the company based on the following principles:
  - (a) Designate senior executives to constantly monitor risk supervision and control of derivative transactions.
  - (b) Regularly evaluate whether the performance of derivative transactions conforms to established business strategies and whether the risks assumed are within the company's acceptable scope.
- (2) Senior executives authorized by the board of directors should manage derivative transactions based on the following principles:
  - (a) Regularly evaluate whether the current risk management measures are appropriate and strictly follow the Financial Supervisory Commission's "Guidelines for Public Companies on the Acquisition or Disposal of Assets" and the procedures outlined in this document.
  - (b) Supervise the transactions and profit and loss situations. In case of abnormal situations, necessary measures should be taken and reported to the board of directors. If independent directors are present, they should express their opinions.
- (3) If relevant personnel are authorized to handle derivative transactions according to this procedure, they should submit a report to the most recent board of directors meeting.

#### 6 、 A record book should be established for derivative transactions, detailing the types, amounts, date approved by the board of directors, and matters that should be carefully evaluated according to the provisions of paragraphs (1) and (2) of Article Four and paragraphs (1) and (2) of Article Five, which should be kept for reference.

### Article 14: Evaluation and Procedures for Mergers, Divisions, Acquisitions, or Share Transfers

#### 1. Determination of Transaction Price and Reference Basis:

In the event of a merger, division, acquisition, or share transfer, the company should

consider the past and future financial and business conditions of the participating company, the potential benefits in the future, and the fair method of determining the transaction price based on market conditions. Professional opinions from accountants, lawyers, or underwriters should also be considered, and the price should be agreed upon with the other party involved in the merger, division, acquisition, or share transfer.

## 2.Engagement of Experts:

Before convening the board of directors' meeting for decision-making, the company should engage accountants, lawyers, or underwriters to provide their opinions on the reasonableness of the exchange ratio, acquisition price, or the distribution of cash or other property to shareholders. The opinions should be submitted to the board of directors for discussion and approval. However, in the case of a merger between the company and its wholly-owned subsidiaries, or between two wholly-owned subsidiaries of the company, the need for obtaining the expert opinions can be waived.

## 3.Decision-Making Hierarchy:

The company should follow the provisions of the Company Act and related laws and regulations in making decisions regarding mergers, divisions, acquisitions, or share transfers.

## 4.Submission of Relevant Information and Public Disclosure in Case of Failure to Pass the Shareholders' Meeting:

- (1) In the case of a merger, division, or acquisition, the company should produce a public document containing important details and related matters regarding the merger, division, or acquisition before the shareholders' meeting. This document, together with the expert opinions as mentioned in the first paragraph, should be delivered to the shareholders along with the notice of the shareholders' meeting, to serve as a reference for whether to approve the proposed merger, division, or acquisition. However, this requirement does not apply when other laws allow for the exemption of convening shareholders' meetings to decide on the merger, division, or acquisition matters.
- (2) If, due to reasons such as insufficient attendance or voting rights at the shareholders' meeting, or other legal restrictions, the shareholders' meeting of any party involved in the merger, division, or acquisition cannot be convened or the proposal is rejected, the involved company should immediately publicly explain the reasons, subsequent handling procedures, and the expected date of convening the shareholders' meeting.

## 5.Dates of Board of Directors' and Shareholders' Meetings:

- (1) In the case of a merger, division, or acquisition, unless otherwise provided by other laws or with prior approval from the Financial Supervisory Commission due to special circumstances, the company should convene the board of directors' and shareholders' meetings on the same day to decide on the relevant matters of the merger, division, or acquisition, together with the participating company.
- (2) In the case of a share transfer, unless otherwise provided by other laws or with prior approval from the Financial Supervisory Commission due to special circumstances, the company should convene the board of directors' meeting on the same day as the participating company involved in the share transfer.

## Record Keeping and Information Submission:

Companies participating in mergers, divisions, acquisitions, or share transfers and listed companies whose stocks are traded at securities brokerage offices should create complete written records, keep them for five years, and make them available for audit. The records should include:

- (1) Basic information of personnel, including those involved in planning or executing the merger, division, acquisition, or share transfer, their job titles, names, and identification numbers (passport numbers for foreigners) before the disclosure of information.
- (2) Important dates, including the dates of signing of letters of intent or memorandums, commissioning of financial or legal advisors, contract signing, and board meetings.
- (3) Important documents and minutes of meetings, including the merger, division, acquisition plans, letters of intent or memorandums, significant contracts, and board meeting minutes.

Companies participating in mergers, divisions, acquisitions, or share transfers and listed companies whose stocks are traded at securities brokerage offices should submit the information as mentioned in items (1) and (2) above, in the prescribed format, to the Financial Supervisory Commission for record within two days from the date of board of directors' resolution.

## 6. Confidentiality Obligations and Avoidance of Insider Trading

All individuals who participate in or have knowledge of the company's merger, division, acquisition, or share transfer plan should provide a written commitment of confidentiality. Before the information is made public, they must not disclose the content of the plan to external parties. They are also prohibited from personally or using others' names to buy or sell stocks or other securities with equity characteristics related to the companies involved in the merger, division, acquisition, or share transfer case.

## 7. Seventh, Principles for Changing the Exchange Ratio or Acquisition Price

The exchange ratio or acquisition price in which the company participates in the merger, division, acquisition, or share transfer, except under the following circumstances, must not be arbitrarily changed and should be stipulated in the merger, division, acquisition, or share transfer agreement in which changes can be made:

- (1) Conducting cash capital increase, issuance of convertible bonds, free allotment of shares, issuance of convertible bonds with attached stock options, issuance of preferred stocks with attached stock options, warrants, or other securities with equity characteristics.
- (2) Disposing of significant company assets that affect the company's financial business.
- (3) Significant disasters, major technological changes, or other incidents that affect shareholders' rights or security prices of the company.
- (4) Adjustment of the buyback of treasury shares by any participating company in the merger, division, acquisition, or share transfer according to legal requirements.
- (5) Changes in the participating entity or the number of participating entities.

- (6) Other conditions that have been stipulated in the contract and have been publicly disclosed.

#### 8. Matters to Be Included in the Agreement

The agreement for the company's participation in the merger, division, acquisition, or share transfer should state the rights and obligations of the participating company, and it should include the following matters:

- (1) Handling of breaches.
  - (2) Treatment principles for previously issued securities with equity characteristics or repurchased treasury shares of companies that are eliminated or split due to the merger.
  - (3) The number of treasury shares that the participating company may repurchase after calculating the exchange ratio benchmark date and its treatment principles.
  - (4) Treatment methods for changes in the participating entity or the number of participating entities.
  - (5) Expected execution progress and anticipated completion schedule.
  - (6) Procedures to be followed if the plan is overdue and not completed, including the scheduled date for convening a shareholders' meeting as required by laws and regulations.
9. After any party participating in the merger, division, acquisition, or share transfer makes information public and intends to merge, divide, acquire, or transfer shares with other companies, except for cases where the number of participants decreases and the shareholders' meeting has already decided and authorized the board of directors to change the authority, the participating company may be exempted from convening a shareholders' meeting for re-resolution. However, any procedures or legal actions already completed in the original merger, division, acquisition, or share transfer case should be performed again by all participating companies.
10. If any company participating in the merger, division, acquisition, or share transfer is not a publicly listed company, the company should sign an agreement with them and handle it according to the provisions of paragraphs one, five, six, and nine of this article.

#### Article 15: Public Announcement and Reporting Procedure

1. When the company acquires or disposes of assets under the following circumstances, it shall, according to the nature of the transaction and in the prescribed format, make a public announcement and submit relevant information on the Financial Supervisory Commission (FSC) designated website within two days from the date of the event:
  - (a) Acquisition or disposal of real estate or its usage rights from related parties, or acquisition or disposal of other assets not related to real estate from related parties, with transaction amounts reaching 20% of the company's paid-in capital, 10% of total assets, or NT\$300 million or more. However, transactions involving the purchase or sale of domestic government bonds, bonds with repurchase or sell-back conditions, or subscription or redemption of currency market funds issued by domestic securities investment trust enterprises are not subject to this requirement.



- (b) Mergers, divisions, acquisitions, or transfers of shares.
- (c) Engaging in derivative trading, and the losses incurred reaching the total or individual contract loss limit set by the handling procedure.
- (d) Acquiring or disposing of equipment or its usage rights used for business purposes, where the counterparty is not a related party, and the transaction amount meets one of the following conditions:
  - (1). For public companies with a paid-in capital of less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
  - (2). For public companies with a paid-in capital of NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- (e) For publicly listed companies engaged in the construction business, acquiring or disposing of real estate or its usage rights used for construction purposes, where the counterparty is not a related party, and the transaction amount reaches NT\$500 million or more. Among these, if the paid-in capital is NT\$10 billion or more, and the company disposes of self-developed completed real estate to a non-related party, the transaction amount reaches NT\$1 billion or more.
- (f) Acquiring real estate through self-development, lease development, cooperative development (joint venture), cooperative development (joint division), or cooperative development (joint sale), where the counterparty is not a related party, and the company's estimated investment exceeds NT\$500 million.
- (g) Except for the above six types of asset transactions, any financial institution disposing of claims or engaging in investments in the Mainland China region, with a transaction amount reaching 20% of the company's paid-in capital or NT\$300 million or more. However, the following circumstances are not subject to this limitation:
  - (1). Buying or selling domestic government bonds or foreign government bonds with a credit rating not lower than the Republic of China's sovereign rating.
  - (2). Professional investment activities such as trading securities on the stock exchange or at securities business offices, subscribing to foreign government bonds or publicly issued corporate bonds not involving equity (excluding subordinate bonds), or subscribing to or redeeming securities investment trust funds or futures trust funds, or subscribing to or selling index-linked securities, or underwriting securities for over-the-counter companies as required by the Taiwan Securities Association.
  - (3). Buying or selling bonds with repurchase or sell-back conditions, or subscribing to or redeeming money market funds issued by domestic securities investment trust enterprises.

The aforementioned transaction amounts shall be calculated in the following ways:

- (a) Each individual transaction amount.
- (b) The accumulated amount within one year for transactions involving the same counterparty and the same type of subject matter.
- (c) The accumulated amount within one year for transactions involving the same development project of real estate or its usage rights.

- (d) The accumulated amount within one year for transactions involving the same security.
- The term "within one year" refers to counting one year backward from the date of occurrence of the transaction event, and those transactions that have already been publicly announced in accordance with regulations need not be counted again.
2. The company shall submit the information regarding its own company and its non-domestic publicly listed subsidiaries engaged in derivative trading activities up to the end of the previous month, following the prescribed format, to the FSC designated information reporting website by the 10th day of each month.
  3. If there are errors or omissions in the items that the company is required to announce and report according to the regulations, corrections shall be made within two days from the date of awareness, and all items shall be re-announced and reported.
  4. For the company's acquisition or disposal of assets, relevant contracts, minutes of meetings, supporting records, valuation reports, opinions of accountants, lawyers, or securities underwriters shall be kept in the company for at least five years, except as otherwise provided by law.
  5. After the company's public announcement and reporting of the transactions in accordance with the preceding regulations, if any of the following circumstances occur, the relevant information shall be announced and reported on the FSC designated website within two days from the date of occurrence:
    - (a) Changes, termination, or rescission of the relevant contracts originally signed for the transaction.
    - (b) Mergers, divisions, acquisitions, or transfers of shares that have not been completed according to the predetermined schedule in the contract.
    - (c) Changes in the content of the original public announcement and reporting.
  6. If the subsidiary of the company is not a publicly listed domestic company and its acquisition or disposal of assets meets the standards for public announcement and reporting as specified in this article, the company shall handle the public announcement and reporting matters on behalf of the subsidiary. The standards for public announcement and reporting applicable to the subsidiary regarding the paid-in capital or total assets shall be based on the company's paid-in capital or total assets.

Article 15-1: Regarding the provision of 10% of total assets, the calculation shall be based on the total assets amount in the most recent individual or separate financial reports prepared in accordance with the criteria for the preparation of financial reports of the issuer. For companies whose stocks have no par value or a per-share par value other than NT\$10, the provisions in Article 8 to Article 11, and Article 15, concerning the transaction amount reaching 20% of the paid-in capital, shall be calculated based on 10% of the equity attributable to the parent company owner. For the provisions in this criterion regarding the transaction amount reaching NT\$100 billion for companies with a paid-in capital of NT\$10 billion or more, it shall be calculated based on NT\$200 billion of equity attributable to the parent company owner.

Article 16: Control Procedures for Subsidiaries' Acquisition or Disposal of Assets

1. The company shall supervise each subsidiary to establish acquisition or disposal of assets handling procedures in accordance with the "Criteria for Handling the Acquisition or Disposal of Assets by Publicly Listed Companies" issued by the Financial Supervisory

Commission (FSC). These procedures, once approved by the subsidiary's board of directors, shall be submitted to the shareholders' meeting for approval. Any amendments to these procedures shall also be subject to board approval and shareholders' meeting approval, and must be diligently implemented.

2. For the acquisition or disposal of assets by each subsidiary, if it is required to be approved by the subsidiary's board of directors according to its established "Acquisition or Disposal of Assets Handling Procedures" or other legal provisions, it shall be reported to the company before the occurrence of the event. The company's financial department shall assess the feasibility, necessity, and reasonableness of such acquisition or disposal of assets and shall subsequently monitor its execution, conducting analysis and review.
3. The company's internal audit personnel shall regularly audit each subsidiary's compliance with their respective "Acquisition or Disposal of Assets Handling Procedures" and prepare audit reports. After reviewing the findings and recommendations in the audit reports, the subsidiary being audited shall be notified of any necessary improvements. Regular follow-up reports should be prepared to ensure that appropriate improvement measures have been timely implemented.

#### Article 17: Penalties

In the event that the company's relevant personnel engage in the acquisition or disposal of assets in violation of the FSC's "Criteria for Handling the Acquisition or Disposal of Assets by Publicly Listed Companies" or the company's "Acquisition or Disposal of Assets Handling Procedures," they shall be subject to regular assessments and evaluations in accordance with the company's personnel management rules and work regulations, and penalties shall be imposed based on the severity of the violation.

#### Article 18: Supplementary Provisions of Applicable Laws and Regulations

Any matters not covered by this handling procedure shall be handled in accordance with relevant laws and regulations.

#### Article 19: Implementation

After this handling procedure is approved by the Audit Committee and the Board of Directors, it shall be submitted to the shareholders' meeting for approval and shall be implemented accordingly. Any amendments to this procedure shall also follow the same process. If any directors express objections and there are records or written statements to that effect, the company shall submit the dissenting director's materials to the Audit Committee.

For companies with independent directors appointed in accordance with securities laws, when submitting this handling procedure for discussion by the Board of Directors as mentioned in the preceding paragraph, due consideration shall be given to the opinions of the independent directors. If any independent directors have objections or reservations, such dissenting opinions shall be recorded in the minutes of the board meeting.

For companies that have established an Audit Committee in accordance with securities laws, the formulation or amendment of this handling procedure shall require the approval of more than half of the members of the Audit Committee and must be resolved by the Board of Directors.

If approval from more than half of the members of the Audit Committee cannot be obtained as stated in the preceding paragraph, the decision can be made by the approval of more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting.

The term "all members of the Audit Committee" in paragraph 3 and the term "all directors" in the preceding paragraph shall be calculated based on the actual number of serving members.

Article 20: Effective Date

This regulations procedure was established on June 19th, 2008.

1st amendment on April 28th, 2010.

2nd amendment on June 28th, 2012.

3rd amendment on June 28th, 2013.

4th amendment on June 27th, 2014.

5th amendment on June 30th, 2015.

6th amendment on June 6th, 2016.

7th amendment on June 14th, 2017.

8th amendment on June 21st, 2019.

9th amendment on June 23rd, 2022.