

# Chailease Holding Company Limited

## Processing Procedures for the Acquisition and Disposal of Assets

Amended and approved by the Shareholders' Meeting on May 20, 2022  
Amended and approved by the Shareholders' Meeting on May 24, 2019  
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Amended and approved by the Shareholders' Meeting on May 30, 2014  
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### Chapter 1 General Principle

Article 1 The Company and its Subsidiaries shall handle the acquisition or disposal of assets in compliance with the Processing Procedures for the Acquisition and Disposal of Assets (the Procedures); provided, where financial laws and regulations or laws and regulations in Cayman Islands provide otherwise, such provisions shall govern.

Article 2 The term "assets" as used in the Procedures includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.  
The Company shall not purchase the stock of the controlling company that directly or indirectly own more than 50% shares of the Company.
2. Real property (including land, building, investment property) and equipment. (Note: If a business that engages in construction business, fixed assets shall include inventory.)
3. Membership.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
9. Other major assets.

Article 3 Terms used in the Procedures are defined as follows:

1. "Derivatives": Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include

insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

2. "Assets acquired or disposed through mergers, demergers, acquisitions, or share transfer in accordance with Acts of law": Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the ROC Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other Acts, or share transfer through issuance of new shares under Article 156-3 of the ROC Company Act.
3. "Related party": Shall apply the definition of Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. "Subsidiary": Shall apply the definition of Regulations Governing the Preparation of Financial Reports by Securities Issuers.
5. "Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment.
6. "Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authority is required, the earlier of the above date or the date of receipt of approval by the Competent Authority shall apply.
7. "Mainland China area investment": Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
8. "Latest financial statement": Refers to the financial statements of the Company audited or reviewed by certified public accountant ("CPA") which has been published in accordance with applicable regulation before the subject acquisition or disposal of assets.
9. "Reaches 10% of the company's total assets" in the procedure means the total assets of the most recent standalone financial statement of the parent company.
10. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
11. Securities exchange: "ROC securities exchange" refers to the Taiwan Stock

Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.

12. Over-the-counter venue ("OTC venue", "OTC"): "ROC OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

#### Article 4

##### Execution

The department in the Company in charging of acquiring or disposing real property and equipment is the General Administration Department; the departments in charging of acquiring or disposing investment securities are the relevant investment management departments; the department in charging of derivative trading is defined in the Company's "Procedure for Engaging in Derivatives Trading"; the department in charging of mergers, demergers, acquisitions or transfer of shares is designated by the Chairman; claims of financial institutions and other major assets are to be handled by the relevant business departments.

#### Article 5

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

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-discipline regulations of their respective trade associations and the following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When examining a case, they shall appropriately plan and execute adequate

working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.

3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

## Article 6

Procedures for acquisition or disposal of investment securities are as follows:

### 1. Evaluation and operating procedures

Acquisition or disposal of investment securities shall follow the Company's internal control procedures of Investment Cycle.

### 2. Terms and conditions of the transaction and level of authorization

(1) The short-term portfolio investment conducted in security exchanges or securities dealers' business premises shall consider the actual market situation.

Investment projects shall be submitted to the Board of Directors for approval and then the projects are operated using swing trading strategy. If the cases meet the standards for public announcement and reporting, they shall be submitted to the Chairman for approval on the next day they happen and they shall also be sent to the Board of Directors for ratification.

(2) For long-term portfolio investment not conducted in security exchanges or securities dealers' business premises:

A. For investment amount below NT\$ 100,000,000 dollars (inclusive), an investment evaluation report shall be made and submitted to President for approval; for investment amount below NT\$ 300,000,000 (inclusive), the investment shall be approved by the Chairman; for investment amount above NT\$ 300,000,000, the investment shall be sent to the Board of Directors for resolution and be carried out under the terms approved by the Board of Directors.

B. For investments made for supporting the Company's diversification activities or in response to the Company's business extension, if the investment amount is below NT\$ 80,000,000 (inclusive), an investment evaluation report shall be made and submitted to the President for approval; for such investment with amount below NT\$ 300,000,000 (inclusive), the investment shall be approved by the Chairman; for investment amount above NT\$ 300,000,000, the investment shall be sent to the Board of Directors for

resolution and be carried out under the terms approved by the Board of Directors.

- C. Re-investment in companies already invested (include increasing capital with cash):
  - (I) If the accumulated amount of re-investment to a single invested company in the same year is less than NT\$ 100,000,000 (inclusive) and the total investment balance after the re-investment is below NT\$ 300,000,000 (inclusive), an investment report shall be made and submitted to the Chairman for approval before it could be carried out.
  - (II) If the accumulated amount of re-investment to a single invested company in the same year is above NT\$ 100,000,000 (inclusive) or the total investment balance after the re-investment is above NT\$ 300,000,000, a written evaluation report shall be made and submitted to the Board of Directors for approval before it could be carried out.
- D. The disposal of investments such as non-listed company shares held by investment units, unlisted shares turned into listed shares and the unlisted shares pledged by the Company's customers shall be approved and authorized by the President.
- E. The validity period for investment reply and approval document is according to the approval of competent authority. If the investment replay and approval document does not contain an effective period, the validity period is three-month.

### 3. Professional opinions and appraising the transaction price

- (1) When the Company acquires or disposes investment securities, the in-charging department shall conduct relevant cost-benefit analysis and assess possible risks.
- (2) When the Company acquires or dispose securities, it shall first obtain the latest audited or reviewed financial reports or other relevant information prior to the day of occurrence of the fact as the references for assessing transaction price, and if the amount of the transaction is 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company shall also engage a certified public accountant to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
- (3) The method for deciding price and reference base for the Company in acquiring and disposing of securities investment, except the regulation prescribed in previous clause like professional valuation and expert opinions from a CPA and other experts, shall also consider the following situations and conditions:

- A. The price for acquiring or disposing the valuable securities purchased from security exchanges or the premises of security dealers shall be decided according to the current stock or bond prices.
  - B. When acquiring or disposing the valuable securities not purchased from security exchanges or the premises of security dealers shall consider factors such as net worth per share, technology, profitability, future developing potential, market interest rates, bond coupon rate and the debtor's credit, and refer to the latest transaction price to decide the acquiring or disposing price.
4. The total amount of portfolio securities acquired shall be limited to 1.25 times of the Company's net worth; and the amount of the cost for individual security investment shall be limited to 25% of the Company's net worth except those case which have been approved on an ad hoc basis.

#### Article 7

Procedures for acquisition or disposal of real property, equipment, or right-of-use assets thereof are as follows:

1. Evaluation and operating procedures

Acquisition or disposal of real property, equipment, or right-of-use assets thereof shall follow the Company's internal control procedures of Fixed Assets Cycle.

2. Terms and conditions of the transaction and level of authorization

- (1) When the Company acquires or disposes real property, equipment, or right-of-use assets thereof, the handling department shall first draft capital expenditure plan and carry out feasibility analysis based the purpose of acquisition or disposal.
- (2) Real property or right-of-use assets thereof transactions: the handling department shall prepare written documents and assessment reports clearly state the reason, trading price, payment terms of the transactions, if the transaction amount is below NT\$ 20,000,000, it shall be submitted to the President for approval; if the transaction amount is above NT\$ 20,000,000, it shall be submitted to the Chairman for approval; for transaction amount more than NT\$ 30,000,000, it shall be submitted to the Board of Directors for discussion and approval.
- (3) Transaction of equipment or right-of-use assets thereof: the handling department shall clearly state the reasons, trading price and payment terms for the transaction, for single transaction amount below NT\$9,000,000, the case shall be submitted to the President for approval in writing; for transaction amount above NT\$9,000,000, it shall be approved by the Chairman; and for transaction amount above NT\$30,000,000, the documents needed in previous subparagraph shall be prepared and submitted to the Board of Directors for approval.

If the transaction amount reached the standard that require public announcement and reporting as defined in Article 25, all cases shall be approved by the Board of Director's resolutions.

3. Appraisal report and assessment procedure of real property, equipment or right-of-use assets thereof

(1) Acquiring or disposing real property, equipment or right-of-use assets thereof shall refer to the regulation prescribed in relation clause like professional valuation and expert opinions from a CPA and other experts, shall also consider the following situations and conditions and the present value announcement, present value assessment, actual transaction price or book value of the nearby real property, and supplier quotation before deciding the price. If the Company acquires real property from related party, the Company shall use the method defined in Chapter 2 of the Procedures and assess whether the transaction price is reasonable.

(2) Asset Value Appraisal Procedure:

In acquiring or disposing real property, equipment or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NT\$ 300,000,000 or more, the Company, unless transacting with a ROC government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of business equipment or right-of-use assets thereof, shall obtain an appraisal report in advance from a professional appraiser (the items that should be recorded are listed in Appendix 1) before the day of occurrence of the fact and shall further comply with the following provisions: However, if the Company acquires or dispose of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA's opinion.

A. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed whenever there is any subsequent change to the terms and conditions of the transaction.

B. Where the transaction amount is NT\$ 1 billion or more, appraisals from two or more professional appraisers shall be obtained.

C. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

(I) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

(II) The discrepancy between the appraisal results of two or more professional

appraisers is 10 percent or more of the transaction amount.

D. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

4. The total amount of non-operational usage real property or right-of-use assets thereof acquired shall be limited to 1.25 times of the Company's net worth.

## Article 8

Procedures for acquisition or disposal of intangible assets or right-of-use assets thereof or membership are as follows:

### 1. Evaluation and operating procedures

Acquisition or disposal of intangible assets or right-of-use assets thereof or membership shall follow the Company's internal control procedures.

### 2. Terms and conditions of the transaction and level of authorization

Transaction of intangible assets or right-of-use assets thereof or membership, the handling department shall clearly state the reasons, trading price and payment terms for the transaction, for single transaction amount below NT\$9,000,000, the case shall be submitted to the President for approval; for transaction amount above NT\$9,000,000, it shall be approved by the Chairman; and for transaction amount above NT\$30,000,000, the documents shall be prepared and submitted to the Board of Directors for approval.

If the transaction amount reached the standard that require public announcement and reporting as defined in Article 25, all cases shall be approved by the Board of Director's resolutions in advance.

### 3. Appraisal report and assessment procedure

(1) When acquiring or disposing membership, the Company shall consider the possible benefit it could generate and refer to the latest transaction price to decide the acquiring or disposing prices; when acquiring or disposing patent rights, copyrights, trademark, franchise right and other intangible assets or right-of-use assets thereof, the Company shall refer to international or market practices, useful lives and their influences to the Company's technology and business.

(2) When the company acquires or disposes of memberships, intangible assets or right-of-use assets thereof and the transaction amount reaches 20 % of more of paid-in capital or NT\$300,000,000 or more, the company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the day of occurrence of the fact. This requirement does not apply, however, transacting with a ROC government agency.

## Article 9

The calculation of the transaction amounts referred to in the preceding three Articles

shall be done in accordance with Article 25, paragraph 1, subparagraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 10 The company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA's opinion.

Article 11 When conducting the acquisition operation for financial institution's non-performing loans, the assessment method for the price shall follow the regulations in the Company's "Procedure for acquiring financial and non-financial non-performing loans" to conduct valuation.

When the Company's subsidiary acquires non-performing loans from financial institutions, they shall follow the relevant operation procedure defined by the Subsidiaries.

Article 12 Other major assets transactions :

Transaction of other assets, handling unit shall clearly state the reasons, trading price and payment terms for the transaction, for single transaction amount below NT\$9,000,000, the case shall be submitted to the President for approval in writing; for transaction amount above NT\$9,000,000, it shall be approved by the Chairman; and for transaction amount above NT\$30,000,000, the documents needed in previous article shall be prepared and submitted to the Board of Directors for approval.

If the transaction amount reached the standard that require public announcement and reporting as defined in Article 25, all cases shall be approved by the Board of Directors' resolutions in advance.

Derivative trading :

For matters related to derivative trading, the regulations in the Company's "Procedures for Engaging in derivative Trading" shall be followed.

## Chapter 2 **Related Party Transactions**

Article 13 The company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 9 herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

#### Article 14

##### Resolution Procedure:

When the Company acquires or disposes of real property or right-of-use assets thereof and the transaction amount reaches 20% of the Company's paid-in capital or 10% of the Company's total assets or NT\$ 300,000,000, provided, this shall not apply to trading of ROC government bonds, bonds under repurchase and resale agreements, and acquisition or disposal of ROC money market fund. The Company may not proceed to enter into a transaction contract or make a payment until the execution unit shall submit the following data and obtain the agreement from more than 1/2 of the members in the Audit Committee first, before it could be sent to the Board of Director for resolution. If the case does not obtain the support of more than 1/2 of the members in the Audit Committee, it shall be agreed by more than 2/3 of all the directors in the Board and the resolution of the Audit Committee shall be recorded in the meeting minute of the Board of Directors meeting:

1. The purpose, necessity and anticipated benefit of acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. Information regarding terms in accordance with the provisions of Article 15 or Article 16 for the real property or right-of-use assets thereof acquisition. .
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. Obtained an appraisal report in advance from a professional appraiser and the certified public accountant's opinion.
7. Restrictive covenants and other important stipulations associated with the transaction.

If the transaction pursuant to the paragraph 1 of the Company or subsidiaries that are not ROC public companies, and the transaction amount reaches 10% of the Company's total assets. The Company or subsidiaries may not proceed to enter into any transaction contract or make any payment until they have submitted the data listed in the paragraph 1, and approved by the Shareholders' Meeting of the Company; provided, this shall not apply to the transaction between the Company and subsidiaries, or between its subsidiaries.

The calculation of the transaction amounts referred to in the paragraph 1 and preceding paragraph shall be made in accordance with Article 25, paragraph 1, subparagraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the

date of occurrence of the current transaction. Items that have been approved by the shareholders' meeting and board of directors and recognized by the supervisors need not be counted toward the transaction amount.

With respect to the acquisition or disposal of equipment or right-of-use assets thereof held for business use and real property right-of-use assets held for business use, between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may delegate the Chairman to decide such matters when the transaction is within NT\$300,000,000 and have the decisions subsequently submitted to and ratified by the next Board of Directors' Meeting.

When a matter is submitted for discussion by the Board of Directors pursuant to the first paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the Minutes of the Board of Directors' Meeting.

#### Article 15

Reasonableness assessment on trading terms:

When the Company acquires real property or right-of-use assets thereof from related party, except the following circumstances such as (1)the related party acquired the real property or right-of-use assets thereof through inheritance or as a gift, (2)or more than five years have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction, (3)or the real property is acquired through signing of a joint development contract, the land is acquired under an arrangement on engaging others to build on the company's own land, and engaging others to build on rented land with the related party, (4)or the acquisition or disposal of equipment or right-of-use assets thereof held for business use, between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital shall be conducted in accordance with Article 14,the following means should be followed to assess the reasonableness of the transaction and engage a certified public accountant to check the appraisal and render a specific opinion.

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70

percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

3. Where land and structures thereupon re combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structure may be separately appraised in accordance with either of the means listed in the preceding two subparagraphs.

#### Article 16

Matters be handled when the appraised price is lower than transaction price:

When the result of the Company's appraisal conducted in accordance with the provisions in previous paragraphs of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with the provisions of paragraph 3. However, where the following circumstances exists, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, the restriction shall not apply:

1. Where the related party acquired underdeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (1) Where underdeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
  - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land are and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
  - (3) Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of transaction completed for the

acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in this paragraph in principle refers to parcels on the same or and adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property or right-of-use assets thereof.

3. When the Company acquires real property or right-of-use assets thereof from a related party and results of appraisals conducted in accordance with the provisions of previous Article 15 and Article 16 are uniformly lower than the transaction price, the following steps shall be taken:
  - (1) A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Securities and Exchange Act (the Act) against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. If the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. The Company 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 are nothing unreasonable about the transaction, and the FSC has given its consent.
  - (2) The Audit Committee shall supervise and monitor according to relevant regulations.
  - (3) The Company shall report the handling condition of situation stipulated in subparagraph 1 and subparagraph 2 of this Article to the Shareholders' Meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
4. When the company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the provisions of the preceding three subparagraphs if there is other evidence indicating that the acquisition was not an arm length transaction.

### **Chapter 3 Merger, Demerger, Acquisition or Transfer of Shares**

- Article 17 When conducting merger, demerger, acquisition or transfer of shares, the Company shall consider factors such as the target's business characteristics, net worth per share, asset value, technology, profitability, production capability and future growth potential.
- Article 18 When the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the Board of Directors' Meeting 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. It is exempt from the requirement of obtaining an expert opinion in cases of mergers between parent company and its wholly owned subsidiaries and in cases of mergers between subsidiaries wholly-owned by the same parent company.
- Article 19 When 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 preceding Article when sending shareholders notification of the Shareholders Meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, were a provision of another act exempts the Company from convening a Shareholders' Meeting to approve the merger, demerger, or acquisition, the 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 Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.
- Article 20 Unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent, when the Company participates in a merger, demerger, or acquisition shall convene the Board of Directors' Meeting and shareholders meeting on the same day with other participating companies to resolve matters relevant to the merger, demerger, or acquisition. When the Company participates in transfer of shares, it should convene the Board of Directors' Meeting on the same day with other participating companies.
- Article 21 When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company that is listed on an exchange or has its shares traded

on the premise of security dealers shall prepare a full written record of the following information and retain it for five years for reference:

1. 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.
2. Dates of important events: including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors' meeting.
3. Important documentations and meeting minutes: including merger, demerger, acquisition, and transfer of shares, any letter of intent or memorandum of understanding, material contracts, and meeting minutes of board of directors meeting.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where the Company 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 Article 20 and the provisions of paragraphs 1 and 2.

## Article 22

Ratio for Exchange of Shares and Tender Price:

The companies participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, that affects the company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.

5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 23

Content of Contract should include the following items:

The contract for participation by the Company in a merger, demerger, acquisition or transfer 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:

1. Handling of breach of contract.
2. 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 divided.
3. 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.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 24

Other matters required attention when the Company participates in a merger, demerger, acquisition or transfer of shares:

1. Ask every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
2. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedure or legal actions that had originally been completed toward the merger, demerger, acquisition, or transfer of share; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve

on the matter anew.

3. If the company participated in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company and process according to the previous two subparagraphs of this Article and Article 17 of this Processing Procedure.

## **Chapter 4      Public Disclosure of Information**

### **Article 25      Public announcement and reporting procedure:**

1. Under any of following circumstances, the in-charging department shall publicly announce and relevant information on FSC's designated website in the appropriate format as prescribed by regulations on the day of the occurrence of the fact:
  - (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of ROC government bonds or bonds under repurchase and resale agreements, and acquisition or disposal of money market fund issued by ROC investment trust institutions.
  - (2) Merger, demerger, acquisition, or transfer of shares.
  - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
  - (4) Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the trading counterparty is not a related party, and the transaction amount is NT\$1 billion or more. (5) Acquisition or disposal by a subsidiary which is public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the subsidiary which is public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
  - (6) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and

furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction is NT\$500 million or more.

- (7) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
- A. Trading of ROC government bonds or foreign government bonds with a credit rating not lower than ROC's sovereign rating.
  - B. Securities trading by investment professionals on securities exchanges or over-the-counter markets, or purchase foreign government bonds and common corporate bonds issued via IPO market and common financial bonds not concerned about the equities (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or sell back exchange traded note.
  - C. Trading of bonds under repurchase/resale agreements, and acquisition or disposal of money market fund issued by ROC investment trust institutions.

2. The amount of transactions above shall be calculated as follows:

- (1) The amount of any individual transaction.
- (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
- (3) The cumulative transaction amount of real property or right-of-use assets thereof acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
- (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

- 3. If the Company is the director or supervisor of the invested company or holds more than 10% of the total share of the invested company, the proceeding announcement of share transfer is to be handled by the investment management department.
- 4. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that

are not ROC public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

5. If the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it within two days since noticed, all the items shall be again publicly announced and reported in their entirety.
6. For transactions which have been announced and reported according to the regulation in Paragraph 1, if any of the following circumstances occurs, a public report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission in the day of occurrence of the fact:
  - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
  - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
  - (3) Change to the originally publicly announced and reported information.

## **Chapter 5 Other Important Matters**

Article 26 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 headquarters, where they shall be retained for five years except where another laws or regulations provides otherwise.

Article 27 The total amount of non-operational usage real property or right-of-use assets thereof or portfolio securities acquired by the Subsidiary individually is limited to 1.25 time of the individual subsidiary's net worth; and the amount of cost for investing in individual security shall not exceed 30% of the Subsidiary's net worth except those investments which have been approved on an ad hoc basis. If the Subsidiary is operating venture capital business, then the total amount of individually acquired real property or right-of-use assets thereof, equipment or portfolio securities shall not exceed 3 times of the Subsidiary's net worth, the amount of cost invested in individual security shall not exceed 30% of the Subsidiary's net worth except those case which have been approved on an ad hoc basis.

The subsidiaries of the Company shall follow the regulations in "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and draft its own "Handling Procedure for acquiring or disposing assets" and approved by the Subsidiary's Board of Directors, and then send to the Supervisors for reference and get agreement from the Shareholders' Meeting, the same procedure shall be followed

when the regulations are amended.

When the Subsidiaries of the Company acquiring or disposing assets, they shall comply with the regulations defined in their own "Internal Audit Mechanism" and "Handling Procedure for acquiring and disposing assets". The Company's Audit Department shall list the Subsidiary's operation on acquiring and disposing assets as one of the auditing items.

For the Company's subsidiary which is not a ROC public company, if its acquiring and disposing of assets reaches the standard that require public announcement defined in Article 25 of this Procedure, the subsidiary should notify the Company at the date of the occurrence, the Company should follow the regulations and announce the information publicly in designed website.

The paid-in capital or total assets in the preceding paragraph regarding to the public announcement standard for the subsidiary means the paid-in capital and the total assets of the most recent standalone financial statement of the subsidiary's ROC public parent company.

For the Company's subsidiary, if its acquiring and disposing of assets complies with the regulations of ROC government agency that require public announcement, according to "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities", it will be deemed material information of the Company, and the Company shall file a report on the subsidiary's behalf.

Article 28 If the Company's manager or personnel handling the operations on acquiring and disposing assets violates the Procedures, the violations shall be handled by the Company's "Regulations governing employee rewards and punishment".

Article 29 With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Procedures or other laws or regulations, the transaction shall be approved by more than half of all Audit Committee Members and submitted to the Board of Directors for a resolution.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the transaction may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the Minutes of the Board of Directors' Meeting.

Article 30 The Procedures shall be approved by more than half of all Audit Committee Members and then be submitted to the Board of Directors meeting for resolution; after it is passed by the Board of Directors, it would be sent to the Shareholders' meeting for final approval. It would then be bulletined for enforcement. When the Procedures is amended, the same procedure shall be applied. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the

director's dissenting opinion to the Shareholders' Meeting for discussion.

The Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the Minutes of the Board of Directors' Meeting.

## 【Appendix 1】

Asset Appraisal reports should record the following matters:

1. Items required to be stated as regulated by regulations for real property appraisal
2. Professional appraiser and relevant information about the appraiser
  - (1) Name, capital and organization structure and member makeup of the professional appraiser.
  - (2) Appraiser's name, age, educational and working history (with proof), and the years and period engaged in asset appraisal, and the number of appraisal cases engaged in.
  - (3) The relationship between the professional appraiser, officers of the appraiser and the one who entrust the appraisal.
  - (4) The appraisal report shall state that the appraisers are professional and independent, have assessed the information used to be reasonable and correct, and comply with relevant laws and regulations, and the items stated herein are not false and concealed.
  - (5) The date the appraisal report is issued.
3. The basic information of the object been appraised, at least should include information such as the name and characteristics of the object, location and area.
4. The real property transaction case comparison within the area where the object locate.
5. For appraisal type belongs to restricted price or specific price, the restrictions or specific terms and whether the case comply with those terms currently, and the reasons and reasonableness of the price differences and whether the restricted price or specific price could be the reference as the price for transactions.
6. If it is a joint construction contract, the reasonable distribution rate for both sides should be stated.
7. The estimate on land value increment tax
8. When there is an estimated 20% price discrepancy between professional appraisers on the same date, whether it is handled according to the provision in Article 41 of Real Property Appraiser Act.
9. Attachment include the detail appraisal of the object, ownership registration data, cadastral map manuscript, city plan map, location map of the object, land use zoning certificate and the current photograph of the object