

# Great China Metal Ind. Co., Ltd.

## Procedure for the Acquisitions or Dispositions of Assets

20230619

### 1 Purpose and Legal Basis

The Procedure is adopted in accordance with Article 36-1 of the Securities and Exchange Act, and related laws and regulations. The Company's acquisitions or disposition of assets shall be governed by the Procedure.

### 2 The Procedure is applicable to the following assets:

- 2.1 Investment in stocks, government bonds, corporate bonds, bank debentures, fund certificates, depository receipts, call (put) warrants, beneficiary certificates, and asset-backed securities.
- 2.2 Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- 2.3 Memberships.
- 2.4 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- 2.5 Derivatives.
- 2.6 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with laws.
- 2.7 Intangible assets including patents, copyrights, trademarks and franchise.
- 2.8 Right-of-use assets.
- 2.9 Other major assets.

### 3 Definitions:

- 3.1 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 products of above contracts; or hybrid or structured products containing embedded derivatives. The term forward contracts exclude insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- 3.2 Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: The assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
- 3.3 Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 3.4 Professional appraiser: A real property appraiser or other person duly

authorized by law to engage in the value appraisal of real property or equipment.

- 3.5 Date of occurrence: The date of contract signing, date of payment, date of consignment trade, date of transfer registration, dates of Board of Directors resolutions, or other date that can confirm the trading counterpart and trading value, whichever 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.
- 3.6 Mainland China area investment: The investment 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.
- 3.7 The expression, "Within the preceding year", as used herein refers to the year preceding the date of occurrence of the current transaction. The portion of trade already declared as required in this procedure could be exempted from calculation.
- 3.8 Securities exchange: "Domestic securities exchange" refers to 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.
- 3.9 Over-the-counter venue ("OTC venue", "OTC"): "Domestic 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.
- 3.10 For the calculation of 10 percent of total assets under, the total assets stated in the most recent separate or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

4 Those 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 satisfy the following requirements:

- 4.1 Never received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Securities and Exchange 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.
- 4.2 May not be a related party or de facto related party of any party to the transaction.
- 4.3 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.

4.4 When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

4.4.1 Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.

4.4.2 When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.

4.4.3 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.

4.4.4 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.

5 Procedure for the Acquisitions or Dispositions of Assets:

5.1 Division of authority and responsibility:

5.1.1 The financial unit shall be responsible for executing the securities exchange.

5.1.2 Acquisition or disposition of real property and equipment, and the right-of-use assets thereof, shall be initiated by the requesting unit respectively.

5.1.3 Any single transaction for acquisition or disposition valuing less than NT\$100 million shall be conducted per the decision made by the assistant vice president or above of Financial Dept. Any single transaction for acquisition or disposition of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises valuing less than NT\$300 million shall also be conducted per the decision made by the assistant vice president or above of Financial Dept., as said assets are classified as securities but actually fall in the scope of fund appropriation and management. Any single transaction for acquisition or disposition of equipment and the right-of-use assets thereof valuing less than NT\$600 million shall be conducted per the decision made by the President or above. Any transaction valuing more than said amount, and the transaction for acquisition or disposition of real property and

the right-of-use assets thereof shall be subject to prior approval of the Board of Directors.

- 5.1.4 Aggregate amount of transactions for non-operating real property and right-of-use assets thereof or securities acquired by the Company and each subsidiary, and limit of the transaction for individual securities, shall not exceed the net worth of the Company and subsidiary. Any transaction valuing more than said amount shall be subject to prior approval of the Board of Directors.
- 5.2 Operating procedure: The acquisition or disposition of related assets shall follow the Company's internal control system requirements. Any violation of the criteria defined herein shall be disciplined according to the Procedure.
- 5.3 Determination of evaluation and trading terms and conditions:
  - 5.3.1 The transaction price for acquisition or disposition of securities traded in securities exchanges or OTC markets shall be decided based on the price of the securities prevailing at that moment. Then, the transaction may be conducted by the related unit upon approval of the person with powers.
  - 5.3.2 The Company shall, prior to acquisition or disposition of equity traded in securities exchanges or OTC markets, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. Determination of such transaction price shall also take into account the net worth per share, profitability, future development, and the transaction price prevailing at that moment. Then, the transaction may be conducted by the related unit upon approval of the person with powers.
  - 5.3.3 The transaction price for acquisition or disposition of fixed-income securities, which are not traded in securities exchanges or OTC markets, shall be decided based on the market interest rate, coupon rate and debtor's credit rating prevailing at that moment. Then, the transaction may be conducted by the related unit upon approval of the person with powers.
  - 5.3.4 The transaction price for acquisition or disposition of any real property shall be decided based on the announced current value, assessed value and actual transaction price of adjacent real property. For the transaction valuing more than NT\$300 million, a professional appraisal organization shall be retained to conduct the assessment. Then, the transaction may be conducted by the related unit upon approval of trading terms and conditions and transaction price by the person with powers.
  - 5.3.5 The transaction for acquisition or disposition of equipment shall be conducted in either of the manners including price comparison, price negotiation or tender solicitation. Then, the transaction may be conducted by the related unit upon approval of the person with

powers.

5.3.6 If the Company acquires or disposes of assets through court auction procedures, the certified documentation issued by the court may supersede an appraisal report or a CPA's opinions.

5.4 The company acquisition or disposal of assets that is subject to the approval of the board of directors under the company's procedures or other laws or regulations. If a director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to each independent director in audit committee.

Any transaction involving major assets or derivatives shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.

If approval of one-half or more of all audit committee members as required is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

6 In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

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

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

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

6.3.1 The difference between the appraisal value and the transaction amount exceeds 20% of the transaction amount.

6.3.2 The appraisal values presented by more than two professional appraisal firms showed variation of more than 10% of the transaction

value.

- 6.4 The date on which the professional appraisal firms issued the appraisal reports shall not fall beyond 3 months from the contract execution date. If the announced present value in the same period is applicable and is falling within 6 months, the original appraisal firms shall present a statement of opinion.
- 7 Upon acquisition or disposition of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
- 8 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.
- 9 The procedure for processing the transactions between the Company and related parties:
  - 9.1 When the Company engages in any acquisition or disposition of assets from or to a related party, in addition to complying with said requirements, it shall ensure that the following necessary resolutions are adopted and the reasonableness of the transaction terms is appraised. If the transaction amount reaches 10% 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 according to Articles 6~8 herein.
  - 9.2 When judging whether a trading counterpart is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
  - 9.3 When the Company acquires or disposes of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the following matters shall be approved by one-half or more of all audit committee members and submitted to the board of directors

for a resolution. the transaction contract can be signed and the payment can be made. If approval of one-half or more of all audit committee members as required is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" and "all directors" shall be counted as the actual number of persons currently holding those positions.

9.3.1 Purpose, necessity and anticipated benefit of the acquisition or disposition of assets.

9.3.2 The reason for choosing a related party as the trading counterpart.

9.3.3 With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 9.5~Article 9.7 and Article 10 herein.

9.3.4 The date and price at which the related party originally acquired the real property, the original trading counterpart, and trading counterpart's relationship to the Company and the related party.

9.3.5 The projection of cash flows from the month the agreement is made in one year ahead with assessment of the necessity of the transaction and the reasonableness of capital utilization.

9.3.6 An appraisal report from a professional appraiser or a CPA's opinion obtained according to Article 9.1 herein.

9.3.7 Restrictions and other important covenants for the transaction concerned.

If the company or its subsidiaries conduct the above-mentioned transactions, and the transaction amount reaches more than 10% of the company's total assets, the company shall submit the listed materials to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.

9.4 With respect to the transactions, such as acquisition or disposition of equipment or right-of-use assets thereof held for business use, or real property right-of-use assets for business use, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may authorize the Chairman of Board to decide such matters when the transaction is within NT\$600 million and have the decisions subsequently submitted to and ratified by the latest meeting of the Board of Directors.

9.5 A public company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

9.5.1 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.

9.5.2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the parties to the transaction. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in either of said means.

9.6 Where the Company acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with Article 9.5 herein, shall also engage a CPA to check the appraisal and render a specific opinion.

9.7 Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 9.3 herein and Article 9.5~Article 9.6 do not apply:

9.7.1 The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.

9.7.2 More than 5 years shall 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.

9.7.3 The real property is acquired through execution of a joint development contract with the related party, or through engagement of a related party to build real property, either on the Company's own land or on rented land.

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

10 In the event that the appraisal prices conducted pursuant to Article 9.5.1 and Article 9.5.2 herein falls below the transaction price, the matter shall be handled in accordance with Article 11 herein. The followings are exception on condition that the professional appraisal firms and the certified public accountants have presented their opinions on the reasonableness of the transaction on the real property:

10.1 Where the related party acquired undeveloped land or leased land for



development, it may submit proof of compliance with one of the following conditions:

10.1.1 Undeveloped land shall be assessed 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. Reasonable construction profit as referred to shall be the average gross margin of the related party's construction segment over the last 3 years, or the latest gross margin for the construction industry as announced by the Ministry of Finance, whichever is lower.

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

10.1.3 Deleted.

10.2 The Company can prove with evidence that the real property purchased or the real property right-of-use assets obtained through lease from the related party is conducted with terms and conditions similar to the successful transactions 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 involving neighboring or closely valued parcels of land referred to herein, in principle, refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

11 For the acquisition of real property or right-of-use assets thereof from related parties by the Company, if the appraisal value performed pursuant to Article 9.5~Article 9.7 and Article 10 falls below the transaction price, the following measures shall be taken:

11.1 State the difference between the transaction price and the appraisal value of the real property or right-of-use assets in transaction as special reserve pursuant to Paragraph 1 of Article 41-1 of the Securities and Exchange Act, and such amount in difference cannot be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.

- 11.2 The independent directors forming the Audit Committee shall act subject to Article 218 of the Company Act.
- 11.3 Actions taken pursuant to Article 11.1 and Article 11.2 herein shall be reported to a shareholders' meeting the transaction shall be disclosed in the annual report and any investment prospectus. For the special reserve being recognized by the Company in accordance with the requirement of preceding paragraphs, it may be utilized only after the assets purchased or leased at high price has been recognized for loss due to falling price or disposition, or the termination of the leasing contract, or under appropriate compensation, or recovery to original condition, or being proved as not unreasonable with evidence and at the approval of FSC. If the acquisition of real property or right-of-use assets thereof from a related party by the Company proved to be not being conducted under the arm's-length principle with evidence, proceed to the requirements as stated in the two preceding paragraphs.
- 12 Procedure for Engaging in Derivatives Trading:
- 12.1 Trading principles and policy:
- 12.1.1 Division of authority and responsibility:
- The Board of Directors perform the following functions:
- (1) Authorize the object of transaction and list of product types.
  - (2) Authorize the trading contract amount to be undertaken.
  - (3) Determine the limit of loss.
  - (4) Designate senior management personnel to pay continuous attention to monitoring and control over derivatives trading risk.
- Head of the Finance Dept. (immediate executive officers of the trading department) shall perform the following duties and responsibilities:
- (1) Determine the management report format and control the limit authorized by the Board of Directors.
  - (2) Determine the risk assessment model and performance assessment model.
- Traders of the Finance Dept. (handlers and risk managers of the trading department) shall perform the following duties and responsibilities:
- (1) Responsible for setting forth the strategies of foreign exchange operations throughout the Company.
  - (2) Collect related information from time to time, judge trends, assess risk, get familiar with financial instruments and relevant laws & regulations, and then consider the Company's foreign exchange positions, as the basis for evasion of risks.
  - (3) Confirm the foreign exchange positions based on the Company's turnover and import/export volume, and then set the limit to be hedged each month to mitigate the level of foreign exchange positions exposed to risk.
  - (4) Set forth trading strategies and conduct transactions within the

scope of their authority.

(5) Provide trading documents and receipts timely.

Back office function staff shall perform the following duties and responsibilities:

- (1) Execute contracts with trading counterparts, and process and review applications for account opening.
- (2) Complete verification, settlement, announcement and report, evaluation and clearance related to transactions. (Finance Department)
- (3) Review the trading documents and reports issued by the trading department. (Accounting Department)

12.1.2 Types of trading: Transaction contracts whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests (such as the forward contracts, options contracts, futures contracts, swap contracts and compound contracts combining the above products). The margin trading related to bonds shall be governed by the relevant requirements defined herein.

12.1.3 Hedging strategy: The Company shall engage in financial derivatives trading for hedging, and choose the trading instruments that may evade the risk resulting from the Company's business management as possible as it can. The foreign exchange positions shall pursue the offset of internal positions (foreign exchange revenue and expenditure) throughout the Company on a voluntary basis, in principle, in order to save the costs in foreign exchange operations. Financial derivatives may be exercised only if there are insufficient or surplus positions.

12.1.4 Performance assessment:

Hedging trade: The performance assessment shall be conducted based on the Company's carrying foreign exchange cost, and the income generated from financial derivatives trading. In order to completely control and express the valuation risk over trading, the Company assesses the income on a monthly evaluation basis.

Trading for particular purposes: Assess performance based on the income generated actually, and prepare the report on positions periodically to submit the same to the management for reference.

12.1.5 Total contract amount:

- (1) Limit of hedging trade: The limit of foreign exchange hedge positions shall be no more than the net after offset of the Company's import volume against its export volume physically. The net foreign exchange positions shall be set based on the annual budget, while the other hedge positions shall be set whenever necessary.
- (2) Trading for particular purposes: Based on the forecast about changes in the market, Finance Dept. may set forth some trading

plan, if necessary, based on risk control principles, and submit the same to the assistant vice president or above of Financial Dept. for approval before conducting any transaction, provided that any single transaction valuing more than US\$2 million shall be submitted to the Board of Directors for approval. The total contract amount for the net accumulated positions of the Company's trading for particular purposes shall be no more than US\$10 million.

12.1.6 Determination of the limit of loss:

- (1) The Company shall engage in financial derivatives trading for hedging. Meanwhile, upon offset of the income thereof against hedged income, the maximum loss limit for the total trading contracts and for each individual contract shall be no more than 20% of the total contracts/individual contract. Notwithstanding, the significant influence on foreign exchange rate and interest rate (excess of the limit of loss), if any, shall be reported to the President and Chairman of Board immediately for resolution on necessary responsive actions.
- (2) If the loss of all contracts of trading for particular purposes exceeds 5% of the transaction price, the senior management shall be gathered to meet to negotiate for responsive actions. The limit of loss on individual contract shall be no more than US\$100,000 or 10% of the transaction price, whichever lower.

12.1.7 Internal audit system:

An internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing.

13 The Company, when engaging in derivatives trading, shall adopt the following risk management measures:

13.1 Credit risk management: Considering that the market varies subject to various factors and thereby causes risk over operations of financial derivatives easily, the risk management shall be performed in the following manners:

Trading counterpart: Primarily the domestic/foreign renowned financial institutions.

Traded instruments: Primarily the instruments provided by domestic/foreign renowned financial institutions.

Transaction price: Uncovered transaction price for the same trading counterpart shall be no more than 20% of the total authorized limit, unless the transaction is approved by the assistant vice president or above of Financial Dept.

- 13.2 Market risk management: Primarily the public market provided by any financial institution.
- 13.3 Liquidity risk management: To ensure market liquidity, the financial instruments with higher market liquidity (to be offset on the market at any time) shall be the first priority. The financial institution commissioned to trade shall keep sufficient information and may be able to engage in trading in any market at any time.
- 13.4 Cash flow risk management: To ensure stability of the Company's working capital, the Company engages in derivatives trading with the capital sourcing from its own fund only. Meanwhile, the funding need identified based on the cash revenue and expenditure forecast for next three months shall be taken into consideration during operation of the funds.
- 13.5 Operational risk management:
- 13.5.1 To strictly comply with the Company's authorized limit and operating procedures, and include it into the internal audit to prevent any operational risk.
  - 13.5.2 Personnel engaged in derivatives trading may not serve concurrently in other operations, such as confirmation and settlement.
  - 13.5.3 Risk measurement, monitoring, and control personnel shall be assigned from departments different from the personnel referred to in the previous subparagraph and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
  - 13.5.4 The position of derivatives held shall be assessed at least once per week; however, positions for hedge trades required by business shall be assessed at least twice per month. Assessment reports shall be submitted to senior management personnel authorized by the Board of Directors.
- 13.6 Product risk management: The internal trading staff shall possess complete and correct professional knowledge about financial instruments, and also ask financial institutions to fully disclose relevant risks, in order to prevent the risk over misuse of financial instruments.
- 13.7 Legal risk management: The documents executed with any financial institutions shall be reviewed by the dedicated personnel, such as foreign exchange and legal affairs or legal advisors, for compliance with any other important risk management policies.
- 14 When the Company engages in the derivatives trading, the Board of Directors shall supervise and manage strictly as follows:
- 14.1 Designate the senior management personnel to pay continuous attention to monitoring and control over the derivatives trading risk in the following manners:
    - 14.1.1 Periodically assess whether the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the Procedure.

- 14.1.2 When irregular circumstances are found in the course of supervision of the trading and income thereof, appropriate measures shall be adopted and a report immediately made to the Board of Directors. Where the Company has appointed any independent director, the independent director shall be present at the meeting and express an opinion.
- 14.2 Periodically assess whether the trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
- 14.3 The Company shall report to the latest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with the Procedure.
- 15 The Company, when engaging in derivatives trading, shall prepare a log book in which details of the types and amount of the trading, Board of Directors approval dates, and the matters required to be carefully evaluated under Article 13.5.4, Article 14.1.1 and Article 14.2 herein shall be recorded in detail in the log book.
- 16 Procedure for the Company's participation in merger, demerger, acquisition or transfer of shares:
- 16.1 The Company, when engaging in merger, demerger, acquisition, or transfer of shares, prior to convening the meeting of Board of Directors to resolve on the matter, shall engage a Certified Public Accountant, attorney-at-law, 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.
- 16.2 The Company, when 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 the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. unless the Company may be exempted from convening a shareholders' meeting for the resolution under any other laws. Where either party fails to convene the shareholders' meeting to resolve the matter due to lack of a quorum, insufficient votes, or other legal restriction, or the motion 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.
- 16.3 The Company shall convene a meeting of the Board of Directors and a shareholders' meeting on the same day of the transaction to resolve issues relevant to the merger, demerger, or acquisition, unless otherwise provided by laws or any special circumstances already approved by the Financial Supervisory Commission. A company participating in the transfer of shares

- shall convene a meeting of the Board of Directors on the same day.
- 16.4 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.
- 16.5 The Company 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:
- 16.5.1 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.
  - 16.5.2 An action, such as a disposal of major assets that affects the Company's financial operations.
  - 16.5.3 An event, such as a major disaster or major change in technology that affects the shareholder equity or share price.
  - 16.5.4 An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - 16.5.5 An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - 16.5.6 Other terms and conditions that the contract stipulates may be altered and that have been publicly disclosed.
- 16.6 The contract 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:
- 16.6.1 Response to breach of contract.
  - 16.6.2 Principles for disposal of the equity securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - 16.6.3 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 disposal thereof.
  - 16.6.4 The manner of handling changes in the number of participating entities or companies.
  - 16.6.5 Preliminary progress schedule for plan execution, and anticipated completion date.
  - 16.6.6 Scheduled date for convening the legally mandated shareholders meeting if the plan is not completed within the time limit, and

relevant procedures.

- 16.7 After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, the Company may be exempted from calling another shareholders' meeting to resolve on the matter anew.
- 16.8 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 prepare a full written record of the following information and retain it for 5 years for reference. Meanwhile, the Company shall, within 2 days counted inclusively from the date of passage of a resolution by the Board of Directors, report the information set out in Article 16.8.1 and Article 16.8.2 to the FSC for reference in the prescribed format and via the Internet-based information system.
- 16.8.1 Personnel profile: Including the job 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 shares prior to disclosure of the information.
- 16.8.2 Dates of material events: Including execution of any letter of intent or memorandum of understanding, engagement of a financial or legal advisor, execution of a contract, and date of convening a meeting of the Board of Directors.
- 16.8.3 Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of meetings of the Board of Directors.
- 16.9 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by Article 16.8 herein.
- 16.10 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 16.3, Article 16.4, Article 16.7 and Article 16.8 herein.
- 17 In the event of any of the following circumstances met by the Company's acquisition and disposition of assets, the Company shall publicly announce and



report the relevant information in appropriate format on the website designated by Financial Supervisory Commission within 2 days after action has been taken depending on the nature of the assets:

- 17.1 Acquisition or disposition of real property or right-of-use assets thereof from or to a related party or acquisition or disposition of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- 17.2 Merger, demerger, acquisition, or transfer of shares.
- 17.3 Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Procedure.
- 17.4 Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and the trading counterpart is not a related party, and the transaction amount amounting to more than NT\$500 million.
- 17.5 Where acquisition of real property through the construction on property land by commissioned builder, construction on property land by commissioned builder, joint venture of construction for sharing of built premises, joint ventures of construction with sharing of proceeds, and joint venture of construction with separate selling of the premises, and the trading counterpart is not a related party, and the planned investment of the Company is more than NT\$500 million.
- 17.6 Where a transaction of assets other than any of those referred to in the preceding five paragraphs, or an investment in the mainland China area reaches 20 percent or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - 17.6.1 Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
  - 17.6.2 Trading of bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
- 17.7 The transaction amount shall be calculated in the following manners:
  - 17.7.1 Amount of each transaction.
  - 17.7.2 The accumulated amount for transactions with particular counterpart for the acquisition or disposition of subject of the trade of the same nature in one year.
  - 17.7.3 The accumulated amount of acquisitions and dispositions (cumulated respectively) of the same project of real property or right-of-use assets thereof within the preceding year.
- 17.8 The Company shall declare all information of derivatives trading conducted by itself and its subsidiaries, which are not domestic public companies, to the end of the previous month in designated format on the designated

website of FSC by 10th day of each month.

17.9 Information required to be publicly announced and reported in accordance with the relevant provisions on acquisitions and dispositions of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company. The paid-in capital or total assets referred to in Article 17.1 and Article 17.6 herein refer to the Company's paid-in capital or total assets.

17.10 Where the Company, at the time of public announcement, makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

17.11 Upon acquisition or disposition of assets, the Company shall keep a copy of related contracts, minutes of meetings on record, record books, appraisal reports, opinions issued by certified public accountants, lawyers or securities underwriters and retain such documents for at least 5 years, unless otherwise specified by law.

18 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counted inclusively from the date of occurrence of the event:

18.1 Change, termination, or rescission of a contract signed in regard to the original transaction.

18.2 The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.

18.3 Change to the originally publicly announced and reported information.

19 The transaction amount of the Company's acquisition or disposition of real property, equipment or right-of-use assets thereof, securities, and transactions with related parties, intangible assets or right-of-use assets thereof, or memberships shall be calculated in the manner referred to in Article 17.7 herein. Notwithstanding, under the Procedure transactions accompanied by appraisal reports of professional appraisal firms or opinions from certified public accountants or the part submitted to the audit committee, the board of directors, or the shareholders' meeting for approval can be excluded from the calculation.

20 The Procedure adopted by the Company as required shall be first approved by a majority of all Audit Committee members and submitted to the Board of Directors for a resolution, and then to a shareholders' meeting for approval. The same shall apply where the Procedure is amended. Where no approval by a majority of all the Audit Committee members is obtained, the Procedure may be adopted upon approval by more than two-thirds of all the Board Directors, and the Audit Committee's resolution shall be specified in the minutes of meeting of the Board of Directors. The terms "all the Audit Committee members" and "all the Board directors" shall refer to those currently holding the positions.

21 The Company's subsidiaries shall also establish their "procedures for the

acquisitions or dispositions of assets” in accordance with said requirements, and enforce the procedures upon approval of both parties’ boards of directors. The same shall apply when the procedures are amended. Any subsidiary’s acquisition or disposition of assets shall be governed by such procedure set forth by it.

- 22 Any executive officers or clerk in violation of the Procedure shall be disciplined in accordance with the “Work Rules” set forth by the Company for its employees.
- 23 Any matters not covered herein shall be governed by related laws and regulations and the Company's related requirements.
- 24 The Procedure shall take effect immediately once approved during a shareholders’ meeting.