



Title	Management Regulations Governing Acquisition and Disposal of Assets		
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## 1. Purpose

- 1.1 Purpose: The Regulations are established to protect assets and implement public disclosure of information.
- 1.2 Basis: The Regulations are established based on Article 36-1 of the Securities and Exchange Act and the related regulations of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

## 2. Scope

- 2.1 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.
- 2.2 Real property (including land, houses and buildings, investment property, and construction inventory) and equipment.
- 2.3 Memberships.
- 2.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- 2.5 Right-of-use assets.
- 2.6 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- 2.7 Derivatives.
- 2.8 Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- 2.9 Other major assets.

## 3. Responsibility and authority

- 3.1 Finance Department: Responsible for amendment and maintenance of the Regulations.

### 3.2 Limit of authority

- 3.2.1 Acquisition and disposal of the Company's real property, equipment, intangible assets or their right-of-use assets or memberships with a total amount of less than NT\$100 million shall be approved by the Chairman; the board of directors may authorize the Chairman to approve the acquisition and disposal of those with a total amount ranging from NT\$100 million to 20% of the Company's paid-in capital and make a report accordingly to the next board of directors meeting for ratification afterwards. The Company's real property, equipment, intangible assets, right-of-use assets or memberships with a total amount exceeding 20% of the Company's paid-in capital may be acquired or disposed only upon the approval of the Chairman and board of directors.
- 3.2.2 Acquisition and disposal of the Company's investments amounting to less than NT\$15 million shall be approved by the Chairman; the board of directors may authorize the Chairman to approve the acquisition and disposal of investments ranging from NT\$15 million to NT\$30 million and make a report accordingly to the next board of directors meeting for ratification afterwards. The Company's investments with a total amount exceeding NT\$30 million may be acquired or disposed only upon the approval of the Chairman and board of directors.
- 3.2.3 Acquisition and disposal of the Company's derivatives shall be subject to the regulations in 5.5.
- 3.2.4 Related party transactions of the Company shall be subject to the regulations in 5.4.
- 3.2.5 Mergers, demergers, acquisitions, or transfer of shares shall be subject to the regulations in 5.6.



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4. Procedure  
None

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#### 5.1 Terms and definitions

- 5.1.1 Derivatives: refer to 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 variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- 5.1.2 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor under Article 156-3 of the Company Act.
- 5.1.3 Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 5.1.4 Professional appraiser: Refers to a real property appraiser or other persons duly authorized by law to engage in the valuation of real property or equipment.
- 5.1.5 Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates 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.
- 5.1.6 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.
- 5.1.7 Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- 5.1.8 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.
- 5.1.9 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.
- 5.1.10 Within the preceding year: Refers to the year preceding the date of occurrence of the current asset acquisition or disposal. Items announced need not be included.
- 5.1.11 Most recent financial statements: Refer to the duly disclosed financial statements audited or reviewed by a CPA before the Company acquires or dispose assets.
- 5.1.12 “All audit committee members” and “all directors” shall be counted as the number of persons currently holding those positions.

#### 5.2 Acquisition and disposal of real property, equipment or its right-of-use assets





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5.2.1 Asset valuation procedure: Where the transaction amount for acquiring or disposing of real property, equipment or its right-of-use assets reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall, unless it trades with a domestic government agency, engages others to build on its own land, commissions others to build on rented land, or acquires or disposes of equipment for business use or its right-of-use assets, obtain a valuation report prior to the date of occurrence from a professional appraiser and shall comply with the following regulations:

5.2.1.1 Where it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price due to special circumstances, 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.

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

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

A. The discrepancy between the appraised value and the transaction amount reaches 20% or more of the transaction amount.

B. The discrepancy between the appraised values obtained from two or more professional appraisers reaches 10% or more of the transaction amount.

5.2.1.4 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.

5.2.1.5 Where 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.

5.2.2 The operational procedure for acquisition or disposal of real property, equipment or its right-of-use assets is subject to the property, plant and equipment cycle operations specified in the internal control system of the Company.

5.2.2.1 The terms and price for acquisition or disposal of real property shall be determined based on the publicly announced current value, appraised value and the actual closing prices for the neighboring real property, and an analysis report shall be prepared accordingly and submitted to the President. The real property shall not be acquired or disposed of unless the approval of the Chairman and board of directors is acquired.

5.2.2.2 Acquisition or disposal of other assets shall be performed through price inquiry, competition, negotiation or tendering in accordance with the "Hierarchical Responsibility Management Regulations" (CMP-101).

5.3. Acquisition or disposal of securities, intangible assets or their right-of-use assets or memberships

5.3.1 Assessment of acquisition or disposal of securities, intangible assets or their right-of-use assets or memberships:

5.3.1.1 When acquiring or disposing of securities, the Company shall, prior to the date of occurrence, obtain the issuing company's most recent financial statements certified or reviewed by a certified public accountant as a reference for assessing the transaction price. If the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, a certified public accountant shall be engaged prior to the date of occurrence to provide an opinion regarding the reasonableness of the transaction price. However, this regulation does not apply where the securities have a publicly quoted price from an active market or where otherwise provided in the regulations of

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the Financial Supervisory Commission (FSC).

5.3.1.2 Where the transaction amount for the acquisition or disposal of intangible assets or their right-of-use assets or memberships reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall, unless it trades with a domestic government agency, engage a certified public accountant prior to the date of occurrence to provide an opinion regarding the reasonableness of the transaction price.

5.3.1.3 Where 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.

5.3.2 Operational procedure for acquisition or disposal of securities, intangible assets or their right-of-use assets or memberships:

5.3.2.1 The Company shall purchase and sell securities, intangible assets or their right-of-use assets or memberships pursuant to the investment cycle operation specified in the internal control system of the Company.

5.3.2.2 Trading of securities on a centralized exchange market or an over-the-counter venue shall be determined by the responsible unit based on market conditions. For trading of securities not conducted on a centralized exchange market or an over-the-counter venue, the issuing company's most recent financial statements certified or reviewed by a certified public accountant shall be obtained as a reference for assessing the transaction price, and then its book value per share, profitability and development potential are taken into account. Trading of securities amounting to less than NT\$15 million shall be approved by the Chairman. The board of directors may authorize the Chairman to approve trading of securities with an amount ranging from NT\$15 million to NT\$30 million and make a report accordingly to the board of directors for ratification afterwards. Trading of securities amounting to over NT\$30 million may be conducted only upon the approval of the Chairman and board of directors.

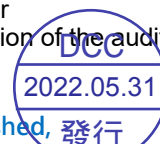
5.3.3 The transaction amounts referred to in 5.2 and 5.3 shall be calculated according to the regulations in 5.7.1.8. The term, within the preceding year, refers to the year preceding the date of occurrence of the transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained as per the Regulations need not be included.

#### 5.4 Related party transaction

When the Company engages in acquisition or disposal of assets from or to a related party, the Company shall follow the regulations for acquisition or disposal of real property, equipment or its right-of-use assets or other assets specified in 5.2 and regulations for acquisition or disposal of securities, intangible assets or their right-of-use assets or memberships specified in 5.3, adopt necessary resolutions pursuant to the following regulations, and assess the reasonableness of the transaction terms. 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 regulations in 5.2 and 5.3. The transaction amount shall be calculated in accordance with the regulations in 5.3.3. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

5.4.1 Where the Company intends to acquire or dispose of real property or its right-of-use assets from or to a related party or to acquire or dispose of assets other than real property or its right-of-use assets from or to a related party at a transaction amount reaching 20% of the Company's paid-in capital, 10% of the Company's total assets, or NT\$300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following information are submitted to and approved by the audit committee and board of directors, unless it trades in domestic government bonds or bonds under repurchase and resale agreements, or subscribes or redeems money market funds issued by domestic securities investment trust enterprises. When making a submission to the board of directors for discussion in accordance with the regulations in 5.4.1.1–5.4.1.7, the opinion of each independent director shall be fully taken into account. If an independent director expresses objections or reservations, they shall be recorded in the minutes of the board of directors meeting.

Matters delivered to the audit committee shall be approved by one-half or more of all audit committee members before being submitted to the board of directors for resolution. If the consent of one-half or more of all audit committee members is not obtained, the matters may be approved for implementation upon the consent of 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.







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- 5.4.1.1 The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 5.4.1.2 The reason for choosing the related party as a transaction counterparty.
- 5.4.1.3 Information regarding the assessment of the reasonableness of the preliminary transaction terms for acquisition of real property or its right-of-use assets from a related party, which is performed in accordance with the regulations in 5.4.2.1–5.4.2.8.
- 5.4.1.4 The date and price at which the related party originally acquired the real property, the original transaction counterparty, and the transaction counterparty's relationship with the Company and the related party.
- 5.4.1.5 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 the reasonableness of funds utilization.
- 5.4.1.6 An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the regulations in 5.4.
- 5.4.1.7 Restrictive covenants and other important stipulations associated with the transaction.
- 5.4.1.8 Where the following types of transactions are to be conducted between the Company and its parent company or subsidiaries, or between its subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or authorized capital, the board of directors may, pursuant to the regulations specified in 3.2.1, authorize the Chairman to decide whether to conduct the transaction if transaction amount falls within a certain range and make a report accordingly to the latest board of directors meeting for ratification afterwards:
- A. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- B. Acquisition or disposal of real property right-of-use assets held for business use.
- 5.4.1.9 If the Company or a subsidiary thereof that is not the domestic Company will have a transaction set out in 5.4.1 and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of 5.4.1 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 Company and its parent company or subsidiaries or between its subsidiaries.
- 5.4.1.10 The calculation of the transaction amounts referred to in 5.4.1 and 5.4.1.9 shall be made in accordance with 5.7.1.8 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, the audit committee and board of directors need not be counted toward the transaction amount.
- 5.4.2 Assessment of the reasonableness of transaction costs
- 5.4.2.1 The reasonableness of the transaction cost for the Company's acquisition of real property or its right-of-use assets from a related party shall be assessed by using the following methods:
- A. 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 based on the weighted average interest rate on the loans in the year when the Company purchases the property; provided, it may not be higher than the maximum lending rate for non-financial industries announced by the Ministry of Finance.
- B. Based on the 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 reached 70 percent or more of the financial institution's appraised loan value of the property and 1 year or more shall have elapsed since the disbursement date of the loan. However, this shall not apply where the financial institution is a related party of the transaction counterparty.
- 5.4.2.2 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 by using either of the methods listed in 5.4.2.1.

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- 5.4.2.3 When acquiring real property or its right-of-use assets from a related party, the Company shall appraise the cost of the real property or its right-of-use assets in accordance with the regulations in 5.4.2.1 and engage a CPA to check the appraised cost and render a specific opinion.
- 5.4.2.4 Where all the appraisals made for the real property or its right-of-use assets to be acquired by the Company from a related party pursuant to the regulations specified in 5.4.2.1 are lower than the transaction price, the regulations in 5.4.2.6 shall apply.
- 5.4.2.5 However, the same shall not apply where the following circumstances exist and where objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA:
- ★ Where the related party who acquired undeveloped land or leased land for development may submit proof of compliance with one of the following conditions:
    - A. Undeveloped land is appraised by adopting the methods specified in the preceding regulation and property is appraised based on the related party's construction cost plus reasonable construction profit, and the sum of the appraised values of the undeveloped land and property exceeds the actual closing price. The said "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry in the most recent period as announced by the Ministry of Finance, whichever is lower.
    - B. Completed transactions by unrelated parties involving other floors of the same property or the property or land with a similar size in neighboring areas within the preceding year have transaction terms that are considered similar to those for the transaction object based on the reasonable price differences due to different floors or areas in the real estate or leasing practices.
  - ★ Where the Company provides evidence that the transaction terms for purchasing real property or obtaining the right-of-use assets of real property through leasing from a related party are similar to those for completed transactions by unrelated parties involving land with a similar size in neighboring areas within the preceding year. The said completed transactions in neighboring areas refers to transactions involving land or property in the same or neighboring block and within a 500-meter radius of the transaction object or land or property having a similar publicly announced current value; the term, "with a similar size", means that the area of the land or property in the completed transactions by unrelated parties is not less than 50% of the area of the transaction object; the term, "within the preceding year", refers to the year preceding the date of occurrence of the acquisition of real property or its right-of-use assets.
- 5.4.2.6 Where all the appraisals made for the real property or its right-of-use assets to be acquired by the Company from a related party pursuant to the regulations specified in 5.4.2.1–5.4.2.5 are lower than the transaction price, the following steps shall be taken. Where the Company and a public company using the equity method to account for its investment in the Company have set aside a special reserve under the preceding regulation, the Company and public company may not utilize the special reserve until they has recognized a loss from devaluation or disposal of the assets they purchased or leased at a high price, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- A. The Company shall set aside a special reserve for the difference between the transaction price of real property or its right-of-use assets and the appraised cost in accordance with "Article 41, Paragraph 1 of the Securities and Exchange Act" and shall not distribute or use the special reserve for capital increase or allotment of shares. Where a public company uses the equity method to account for its investment in the Company, a special reserve shall be set aside based on the percentage of shares held by the public company in the Company as required under "Article 41, Paragraph 1 of the Securities and Exchange Act".
  - B. The audit committee shall comply with "Article 218 of the Company Act". The preceding part of this regulation shall apply mutatis mutandis to the independent director members of the audit committee.



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C. Actions taken pursuant to the regulations specified in A and B shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and prospectus.

5.4.2.7 Where the Company acquires real property or its right-of-use assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the regulations for the assessment and operational procedures set forth in 5.4.1, and the preceding regulations regarding assessment of the reasonableness of transaction costs in 5.4.2.1–5.4.2.3 do not apply:

- A. The related party acquired the real property or its right-of-use assets through inheritance or as a gift.
- B. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property or its right-of-use assets to the signing date for the current transaction.
- C. The real property is acquired through signing of a joint development contract with the related party, or through engaging the related party to build the real property, either on the Company's own land or on rented land.
- D. The right-of-use assets of real property for business use are acquired by the Company with its parent company or subsidiaries, or by its subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or authorized capital.

5.4.2.8 When acquiring real property or its right-of-use assets from a related party, the Company shall also comply with the preceding regulations in 5.4.2.6 if there is other evidence indicating that the acquisition is not an arm's length transaction.

## 5.5 Acquisition or disposal of derivatives

### 5.5.1 Trading principles and guidelines

#### 5.5.1.1 Trading type

Financial derivatives that the Company trades in refer to transaction contracts (e.g. forward contracts, options, futures, interest rates, foreign exchange rates, exchanges and hybrid contracts combining the above products) whose value is derived from assets, interest rates, foreign exchange rates, indexes or other benefits and do not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

#### 5.5.1.2 Operating (hedging) strategies

The Company engages in financial derivatives trading for the purpose of hedging and chooses products that can avoid the risk generated from the Company's business on basis of the principle of balancing the internal financial position of the Company.

#### 5.5.1.3 Delegation of responsibilities

- A. Top management authorized by the board of directors: Approval of the types and limits of transactions to be conducted.
- B. Principal administrative officer:
  - ◎Control of the trading limit for derivatives and the types of products.
  - ◎Control of the total trading limit of the Company and the types of products.
- C. Trading personnel
  - ◎Development of trading strategies and direct trading with counterparties.
  - ◎Compilation and maintenance of trading documents, certificates and data for reference.
- D. Financial personnel:
  - ◎Transaction confirmation.
  - ◎Checking whether transactions are conducted according to the given authority and





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pre-defined strategies.

⊙Performing a monthly evaluation and submitting an evaluation report to the President.

⊙Account handling.

⊙Making announcements or reports as per regulations.

E. Settlement personnel: Carrying out settlement tasks.

F. Auditor: Responsible for checking the suitability of internal control of derivative transactions, inspecting the compliance of trading departments with the operational procedures, analyzing the trading cycle to make the auditing report, and reporting any material deficiency to the board of directors.

#### 5.5.1.4 Trading limit

A. To avoid transactions causing the exchange rate risk, the total transaction amount shall be limited to the total amount of foreign currency assets and liabilities held currently and expected to be held in six months after they are offset against each other.

B. To avoid transactions causing the interest rate risk, the total transaction amount shall be limited to the total amount of loans provided by financial institutions at the time of conducting the transaction.

C. To avoid the exchange rate and interest rate risks generated from projects, the total contract amount shall not exceed the total project budget.

D. The Company does not engage in non-hedging trading.

#### 5.5.1.5 Maximum loss limit for total and individual contracts

The purpose of the hedging trading is to avoid risks. Therefore, a stop-loss point shall be set in order to prevent excess losses. A stop-loss point shall be set at no more than 20% of the total contract amount or 3% of the shareholder equity, whichever is lower. Where the loss exceeds the limit, a report shall be delivered to the Chairman immediately to discuss necessary countermeasures.

#### 5.5.1.6 Performance evaluation

A. The annual operating goals established along with the yearly budgeting of the Company are used as the performance evaluation goals and the basis for the performance evaluation.

B. To fully understand and express the valuation risk, the company evaluates the profit and loss using the monthly valuation method.

C. The financial personnel shall provide the foreign exchange position valuation, the development trend of the foreign exchange market, and the market analysis to the President as a reference and guide for the management.

#### 5.5.2 The operational procedure for derivatives trading is described below:

##### 5.5.2.1 Confirmation of the trading position.

##### 5.5.2.2 Analysis and judgment of related trends.

##### 5.5.2.3 Determination of specific hedging strategies in terms of the transaction object, transaction counterparty, target price, interval, and trading strategy and type.

##### 5.5.2.4 Acquisition of the trading permit.

##### 5.5.2.5 Execution of the transaction

A. Transaction counterparty: Only the operating performance, financial status and professional capability need to be assessed carefully. The prior consent of the Chairman is needed.

B. Trading personnel: The Personnel engaged in derivatives trading shall be submitted to the Chairman in advance and reported to the financial institution related to the





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transaction after the Chairman gives his/her consent. No persons other than the trading personnel shall be engaged in the transaction.

5.5.2.6 Confirmation of transaction: The trading personnel shall fill in the trading documents after the transaction. After the personnel in charge of the confirmation confirms the conformity between the transaction terms and the trading documents, they shall be submitted to the responsible manager for review and approval.

5.5.2.7 Settlement: After the transaction is confirmed without error, the designated settlement personnel shall make the money and related documents ready on the settlement date and conduct the settlement at the agreed price.

#### 5.5.3 Risk management measures

5.5.3.1 Credit risk management: The transaction counterparty shall, in principle, be the domestic and international leading banks with good credibility.

5.5.3.2 Market risk management: The objects of transaction shall be the commonly traded financial products on the international market.

5.5.3.3 Liquidity risk management: To ensure the liquidity on the market, the financial products that have high liquidity (i.e. squared off on the market whenever necessary) shall have the first priority. The financial institution that trades under authorization shall have sufficient information and be able to trade on any market at any time.

5.5.3.4 Risk in cash delivery: The authorized trader shall observe the limit of authority strictly, and shall well understand the cash flow of the Company to ensure sufficient cash for the settlement.

5.5.3.5 Management of operational risk:

A. The limit of authority and operational procedure of the Company shall be absolutely observed. Audit shall be adopted to avoid operational risk.

B. The personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

C. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.

D. Product risk management: Internal trading personnel shall have comprehensive and correct professional knowledge of financial products. The bank shall be requested to disclose risk fully to avoid financial product risk.

E. Legal risk management: The documents signed together with the transaction counterparty shall be the common standard contract on the market. Any and all the special contracts shall be reviewed by the legal affairs department.

#### 5.5.4 Internal audit system

5.5.4.1 Internal auditors shall check the suitability of internal control of derivative transactions periodically and inspect monthly the compliance of the trading departments with the "Regulations on Engaging in Derivatives Trading" and analyze the trading cycle in order to make the auditing report. The matters specified in the preceding paragraph of which the audit committee members shall be informed shall be reported to the independent directors in writing.

5.5.4.2 The internal auditors of a listed company shall file the auditing report and the annual implementing status of the internal audits to the competent authority before the end of February of the next year, and also shall report the improvement status for any abnormal affairs to the competent authority before the end of May of the next year.

#### 5.5.5 Regular evaluation methods and handling status of abnormal circumstances

5.5.5.1 The board of directors shall authorize top management to supervise and assess whether engaging in derivatives trading is in the light of the transaction procedure of the Company, and whether the risk assumed is within the allowable limit. The abnormalities in the market



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price evaluation report, if any, shall be reported to the most recent board of directors meeting and corresponding measures shall be taken. Where independent directors are appointed, they shall be present at the meeting and express their opinions.

5.5.5.2 The position of the derivatives held shall be evaluated at least once a week. However, the hedging trading needed for the business shall be evaluated at least twice a month. The evaluation report shall be submitted to the top management authorized by the board of directors.

5.5.5.3 When engaging in derivatives trading, the Company shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under the aforementioned 5.5.5.1 and 5.5.5.2 shall be recorded in detail in the logbook.

## 5.6 Handling of merger, demerger, acquisition, or transfer of shares

### 5.6.1 Assessment and operational procedure

5.6.1.1 When conducting a merger, demerger, acquisition, or transfer of shares, the Company shall, prior to convening the board of directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

5.6.1.2 The Company 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 5.6.1.1 when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

### 5.6.2 Matters to be aware of

5.6.2.1 Date of board of directors meeting: The company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent. The company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent.

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 an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

A. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers 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

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



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

- 5.6.2.2 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, within 2 days counting inclusively 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 5.6.2.1 to the competent authority for recordation. Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, an agreement shall be entered into with such company whereby the latter is required to abide by the provisions of 5.6.2.2–5.6.2.3.
- 5.6.2.4 Prior non-disclosure guarantee: 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.
- 5.6.2.5 Establishment and change of share exchange ratio or acquisition price: When participating in a merger, demerger, acquisition, or transfer of shares, the Company may not, in principle, 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:
- A. 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.
  - B. An action, such as a disposal of major assets, that affects the company's financial operations.
  - C. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
  - D. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - E. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - F. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- 5.6.2.6 What shall be specified in the contract: The contract for the companies participating in the merger, demerger, acquisition, or transfer of shares shall not only be made according to "Article 317-1 of the Company Act" and "Article 22 of the Business Mergers And Acquisitions Act" but also record the following:
- A. Handling of breach of contract.
  - B. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - C. 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.
  - D. The manner of handling changes in the number of participating entities or companies.
  - E. Preliminary progress schedule for plan execution, and anticipated completion date.
  - F. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion, and relevant procedures.



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5.6.2.7 When the number of companies participating in the merger, demerger, acquisition, or transfer of shares changes: 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, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

5.6.2.8 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 "5.6.2.1 Date of the board of directors meeting," "5.6.2.4 Pre-undertaking of confidentiality," "5.6.2.7 When the number of companies participating in the merger, demerger, acquisition, or transfer of shares changes".

## 5.7 Public disclosure of information

### 5.7.1 Items to be announced and reported and announcement and reporting criteria

5.7.1.1 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 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.

5.7.1.2 Merger, demerger, acquisition, or transfer of shares.

5.7.1.3 Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted.

5.7.1.4 Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:

A. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.

B. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.

5.7.1.5 Acquisition or disposal by the 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 or more; among such cases, if the 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.

5.7.1.6 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 reaches NT\$500 million.

5.7.1.7 Where an asset transaction other than any of those referred to in the 5.7.1.1–5.7.1.6 above, 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 domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.





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- B. Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (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 redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
- C. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

5.7.1.8 The amount of transactions in 5.7.1.1~5.7.1.7 shall be calculated as follows. The term, within the preceding year, refers to the year preceding the date of occurrence of the transaction. Items that have been announced as per the regulations need not be included.

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

#### 5.7.2 Timeframe for announcement and reporting

When the Company's acquisition or disposal of assets covers any item required by 5.7.1 to be publicly announced and the transaction amount reaches the threshold requiring announcement and reporting specified in the aforementioned 5.7.1, the Company shall announce and report the information within 2 days counting inclusively from the date of occurrence of the event.

#### 5.7.3 Announcement and reporting procedure

- 5.7.3.1 The Company shall announce and report the relevant information on the website designated by the competent authority.
- 5.7.3.2 The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries thereof that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authority by the 10th day of each month.
- 5.7.3.3 When 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 within two days counting inclusively from the date of knowing of such error or omission.
- 5.7.3.4 When acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for at least 5 years except where another act provides otherwise.
- 5.7.3.5 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 competent authority within 2 days counting inclusively from the date of occurrence of the event:
  - A. Change, termination, or rescission of a contract signed in regard to the original transaction.
  - B. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.





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C. Change to the originally publicly announced and reported information.

5.7.4 The format of announcement shall be subject to the regulations of the competent authority.

5.8 The Company's subsidiaries shall be subject to the following regulations:

5.8.1 Each subsidiary of the Company shall also establish and implement the "Management Regulations Governing Acquisition and Disposal of Assets" as per the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". The Regulations and the amendments thereof shall be sent to the supervisors after being approved by the subsidiary's board of directors, and are subject to the consent of the shareholders' meeting.

5.8.2 The acquisition or disposal of assets of the Company's subsidiaries shall be handled according to the "Management Regulations Governing Acquisition and Disposal of Assets" of their respective internal control systems. The relevant information shall be compiled and reported by the parent company regularly to the Company by the 5th day of each month as per laws and regulations. The Company's audit unit shall list the subsidiaries' acquisition or disposal of derivatives as one of the items to be audited every month, and the audits shall be included as the necessary items of audit operations to be reported to the board of directors and audit committee.

5.8.3 Where a subsidiary of the Company is not a public company while its acquisition and disposal of assets reaches the threshold for announcement and reporting, it shall notify the Company within the date of occurrence. The Company shall further announce and report the information on the designated website pursuant to regulations.

5.8.4 The "reaching the paid-in capital or total assets of the company" specified in the announcement and reporting criteria of a subsidiary shall be based on the Company's paid-in capital or total assets.

5.9 Other important matters

5.9.1 Professional appraisers and their officers, CPA, 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:

5.9.1.1 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.

5.9.1.2 May not be a related party or de facto related party of any party to the transaction.

5.9.1.3 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.

5.9.2 When issuing an appraisal report or opinion, the professional appraisers and their officers, CPA, attorneys, and securities underwriters shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

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

5.9.2.2 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.

5.9.2.3 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.

5.9.2.4 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



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they have complied with applicable laws and regulations.

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

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

5.9.5 When the procedures for the acquisition or disposal of assets are submitted for discussion by the board of directors pursuant to regulations, they 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 is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors. All members or directors shall be counted as the number of persons currently holding those positions.

#### 5.10 Penalty

The management or relevant execution personnel who act in violation of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or the Regulations shall be punished in accordance with the "Rewards and Penalties Management Regulations"(CMP-110) of the Company.

### 6. Relevant regulations

6.1 Regulations Governing the Acquisition and Disposal of Assets by Public Companies

6.2 Hierarchical Responsibility Management Regulations(CMP-101)

6.3 Securities and Exchange Act

6.4 Company Act

6.5 Business Mergers and Acquisitions Act

6.6 Rewards and Penalties Management Regulations (CMP-110)

### 7. Forms to be used

None

8. The Regulations and the amendments thereof shall be approved by the board of directors following the approval of the audit committee and are subject to the consent of the shareholders' meeting. When the Regulations are submitted to the board of directors for discussion, each independent director's opinion shall be taken into full consideration, and the independent directors' assenting or dissenting opinions and their reasons for dissent shall be included in the minutes of the board of directors meeting.

History of the "Management Regulations Governing Acquisition and Disposal of Assets of JiaWei Lifestyle, Inc."

- 1.The Regulations was established on July 1, 2006.
- 2.The first amendment was made on March 14, 2008.
- 3.The second amendment was made on June 17, 2011.
- 4.The third amendment was made on June 19, 2012.
- 5.The fourth amendment was made on June 17, 2014.
- 6.The fifth amendment was made on June 8, 2017.
- 7.The sixth amendment was made on May 28, 2019.
- 8.The seventh amendment was made on May 31, 2022.

