

# **Grand Pacific Petrochemical Corporation**

## **Procedures for Acquisition or Disposal of Assets**

(Post-amendment contents)

Officially resolved in the Board of Directors on March 14, 2023

Approved at the shareholders' meeting on June 28, 2023

### 1. Objectives

These Operational Procedures are duly enacted in accordance with Article 36-1 of Securities and Exchange Act and rules & regulations concerned promulgated by the Financial Supervisory Commission, Executive Yuan.

### 2. Scope of application

The Company's procedures for acquisition or disposal of assets shall be in accordance with the provisions of these Procedures.

### 3. Relevant referential papers

3.1 The “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” amended and promulgated by the Financial Supervisory Commission` and letters & decrees concerned.

3.2 FAM-01 Regulations Governing Property Management

3.3 INC-02 Regulations Governing Authorization in Duties

3.4 PRC-01 Public Relations Operations

3.5 ACC-01 Budgeting Operations

3.6 ACC-06 Regulations Governing Capital Expenditures

### 4. Definition of terms

4.1 The term “assets” as set forth in these Procedures includes:

4.1.1 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

4.1.2 Real estate (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment

4.1.3 Memberships

4.1.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets

4.1.5 Right-of-use assets

4.1.6 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables)

4.1.7 Derivatives

4.1.8 Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law

4.1.9 Other major assets

All the aforementioned assets shall be duly acquired or disposed of exactly in accordance with these Operational Procedures.

- 4.2 Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of the board of directors resolutions, or other date that can confirm the trading 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.
- 4.3 Professional appraiser: Refers to a real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or equipment.
- 4.4 Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.5 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- 4.6 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 and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter “transfer of shares”) under Article 156-3 of the Company Act.
- 4.7 The term “within one year” as set forth in these Procedures denotes the period of one year starting retrospectively backward from the date of occurrence of the fact. The part promulgated under the Rules amended and promulgated by the Financial Supervisory Commission, Executive Yuan in Article 3.1 is no longer required to be counted inclusive.
- 4.8 The term “financial statements of the most recent term” as set forth in these Procedures denotes the Company's financial statements of the most recent term audited or certified by the Certified Public Accountant(s).
- 4.9 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.
- 4.10 Independence of experts: The professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company and its subsidiaries with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:
  - 1) Having not previously received a final and unappealable sentence to imprisonment for one year or longer in contravention 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 three years have already elapsed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

- 2) Having not been a related party or de facto related party of any party to the transaction.
- 3) Where 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.

Upon issuance of an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulations issued by trade associations they belong to and the following rules:

- 1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- 2) Upon undertaking a project, 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 worksheets.
- 3) It is necessary to conduct an item-by-item evaluation of the appropriateness and reasonableness of data sources, parameters and information used as the basis for issuance of the appraisal report or the opinion.
- 4) The declaration should attest to the professional competence and independence of the personnel, appropriateness and reasonableness of information used for the evaluation, and relevant laws and regulations to adhere to.

- 4.11 The aforesaid major asset acquisition or disposal transaction requires the approval from at least half of all audit committee members and resolution from the board of directors. If the approval from at least half of all audit committee member is not obtained, the procedures may be implemented with approval by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the board meeting minutes. The terms "all audit committee members" in the preceding paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

The report submitted to the board of directors for discussion should fully consider the opinion of independent directors. Any opposition or reservation from independent directors should be noted in board meeting minutes.

## 5. Handling procedures & explanation:

### 5.1 Prerequisite for investment in negotiable securities:

#### 5.1.1 Appraisal procedures

The acquisition or disposal of the investment in securities of the Company is carried out by the executing unit to analyze the relevant benefits and assess the potential risks. Upon evaluation, the Company shall obtain the financial statements of the most recent term audited or certified by the Certified Public Accountant(s) of the target companies or other relevant information and data before date of occurrence of the fact to function as the reference for the transaction prices. If the dollar amount of the transaction is 20% 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.

#### 5.1.2 Operational procedures

In terms of investment in negotiable securities, the chairman authorizes the general manager to carry out the investment within the credit limit approved by the Board of Directors. In case of acquisition or disposal of stocks, corporate bonds, negotiable securities in private placement not trade in the centralized exchange or over-the-counter exchanges, approval from the Board of Directors shall be obtained beforehand.

Acquisition or disposal of negotiable securities shall be duly handled in accordance with the operational procedures of the Company's internal control system.

#### 5.1.3 Implementing unit

Investment in the negotiable securities by the Company shall be executed by the Finance Department.

#### 5.1.4 Authorization amount and level

Except for the transactions of domestic government bonds, bonds with repurchase or repurchase conditions, and money market funds issued by domestic securities investment trusts, investments in marketable securities shall be approved by the chairman of the board of directors on a case-by-case basis, with each transaction amounting to less than NT\$300 million reported at the latest board of directors' meeting afterwards and each transaction amounting to more than NT\$300 million approved by the board of directors before it is made.

### 5.2 Prerequisite for investment in real estate and other fixed assets

#### 5.2.1 Appraisal procedures

In acquiring or disposing of real estate, equipment, or right-of-use assets thereof where the transaction amount reaches 20% 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 mechanical equipment or right-of-use assets thereof 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:

- 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.
- 2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- 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, it is necessary to request certified public accountants to express opinions on the reason for the discrepancy and the appropriateness

of the transaction price:

- 4) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
- 5) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- 6) 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.

#### 5.2.2 Operational procedures

- 1) For acquisition or disposal of real estate, the publicly announced current value, evaluated value, prices in transactions actually concluded for the neighboring real estate, conditions to resolve for the transaction and transaction prices.
- 2) In acquisition or disposal of other fixed assets, the Company shall conduct through inquiry, price competition, price negotiation bargaining process or open tender.

#### 5.2.3 Implementing unit

In acquiring or disposing of real estate or other fixed assets, the using unit or financial unit shall be responsible for implementation thereof after approval thereof from the approval authority under the preceding paragraph is obtained.

#### 5.2.4 Authorization Amount and Level

The acquisition or disposal of real estate (including equipment) or right-of-use assets in an amount of less than NT\$300 million shall be approved by the chairman of the board of directors. Subsequently, the approved proposal shall be promptly reported to the Board of Directors during its most recent meeting. If the amount exceeds NT\$300 million, it shall be reported to the board of directors for approval before it can be made. For acquisition or disposal of real estate or its right-of-use assets through transactions with related parties, 5.5.4 shall apply.

### 5.3 Limit of investment in negotiable securities and real estate and the right-of-use assets not for business use

- 5.3.1 The total amount of investment by the Company and its subsidiaries into negotiable securities shall not exceed 150% of the Company's net worth as shown through its financial statements of the most recent term. The total amount of negotiable securities investments of individual subsidiaries shall not exceed 100% of the Company's net worth as shown in the most recent financial statements, and the amount of the Company's investment in a single individual negotiable security shall not exceed 50% of the aforementioned net worth.
- 5.3.2 The total amount of investment by the Company and its subsidiaries into real estate not for business use or the right-of-use assets shall not exceed 10% of the Company's net worth as shown through its financial statements of the most recent term. The amount of real estate not for business use or its right-of-use assets held by individual subsidiary shall not exceed 5% of the Company's net worth as shown through its financial statements of the most recent term.

#### 5.4 Procedures for acquisition and disposal of memberships, intangible assets or right-of-use assets

##### 5.4.1 Appraisal procedures

Where the Company acquires or disposes of memberships, intangible assets, right-of-use assets thereof and other major assets and the transaction amount reaches twenty percent (20%) 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 rationality of the transaction price.

##### 5.4.2 Operational procedures

1) In acquisition or disposal of memberships, intangible assets, other major assets, the Company shall conduct through inquiry, price competition, price negotiation bargaining process or open tender.

##### 5.4.3 Implementing unit

In acquiring or disposing of memberships, intangible assets, other major assets, the using unit or the Finance Department shall be responsible for implementation thereof after approval thereof from the approval authority under the preceding paragraph is obtained.

##### 5.4.4 Authorization amount and level

For the acquisition and disposal of memberships, intangible assets or right-of-use assets, the amount of which is less than NT\$300 million shall be submitted to the chairman of the board of directors for approval and shall be reported at the most recent board of directors' meeting afterwards; if the amount exceeds NT\$300 million, it shall be submitted to the board of directors for approval before it can be made.

#### 5.5 The operational procedures of acquisition or disposal of assets with related parties

5.5.1 When the Company shall engage in any acquisition or disposal of assets from or to a related party, in addition to the process in accordance with the above-mentioned requirements, and the relevant resolution procedure adopted and the appraisal of rationality of trading terms appraised according to the following requirements, 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 as required. The calculation of the amount of transaction mentioned in the preceding paragraph referred to in the preceding paragraph shall be made in accordance with the above-mentioned requirements hereof. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

5.5.2 When the Company intends to acquire or dispose of real estate or right-of-use assets thereof from or to a related party, or intends to acquire or dispose of assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by the securities investment trust enterprises, the Company shall not proceed to enter into a transaction contract or make a payment until the following information have

been agreed by more than half of all audit committee members in principles and then resolved by the board of directors:

- 1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 2) The reason for choosing the related party as a trading counterparty.
- 3) With respect to the acquisition of real estate 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 5.5.3.
- 4) The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
- 5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- 6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- 7) Restrictive covenants and other important stipulations associated with the transaction.

In case of transactions carried out by and among the Company, its subsidiaries or subsidiaries with 100% holdings of issued shares or total capital, the Board of Directors may authorize the chairman to carry out beforehand within the specified credit limit and to report to the most recent board of directors meeting for retrospective acknowledgement afterward.

- ① The equipment or right-of-use assets thereof is acquired or disposed for business use.
- ② The real estate right-of-use assets is acquired or disposed for business use.

The amount of transaction mentioned in the preceding paragraph shall be counted under Article 5.8.1. The term “within the preceding year” as set forth herein denotes the one-year period retrospectively preceding the date of occurrence of the fact. The part having been approved by the shareholders meeting, Board of Directors and acknowledged by the Audit Committee needs not be counted inclusive.

When the Company or a subsidiary that is not a domestic public company engages in a transaction described above and the transaction is valued at  $\geq 10\%$  of the Company's total assets, the Company should submit all the data listed above the shareholders' meeting for approval before contact signing and paying for the transaction. However, this does not apply to the transaction between the Company and its subsidiary or between subsidiaries.

### 5.5.3 Appraisal of reasonableness of the transaction cost

- 1) In acquiring real estate or right-of-use assets thereof from a related party, the Company shall appraise the reasonableness of the transaction costs by the following means:
  - ① Based upon the related party's transaction price plus necessary

interest on funding and the costs to be duly borne by the buyer. “Necessary interest on funding” is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

- ② Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% 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 trading counterparties.
- 2) Where land and house thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the house may be separately appraised in accordance with either of the means listed in the preceding paragraph.
  - 3) Where Company acquires real estate or right-of-use assets thereof from a related party and appraises the cost of the real estate or right-of-use assets thereof in accordance with two subparagraphs of Paragraph 1, the Company shall also engage a CPA to check the appraisal and render a specific opinion.
  - 4) When the results of the Company's appraisal conducted for acquisition of real estate in accordance with Paragraph 1 and Paragraph 2 of Article 5.5.3 are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 5 of Article 5.5.3. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a CPA has been obtained, this restriction shall not apply:
    - (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:
      - ① Where undeveloped land is appraised in accordance with the means in two subparagraphs of Paragraph 1 of Article 5.5.3, and house according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The “Reasonable construction profit” shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
      - ② 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 similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or lease practices.



- (2) Where the Company acquiring real estate, or obtaining real estate right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Transactions for neighboring or closely valued parcels of land in the preceding paragraph 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; transaction for similarly sized parcels in principle refers to transactions by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; the “within the preceding year” refers to the year preceding the date of occurrence of the acquisition of the real estate or right-of-use assets thereof.
- 5) Where the Company acquires real estate or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with preceding two paragraphs are uniformly lower than the transaction price, the following steps shall be taken:
  - (1) A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real estate or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1 of Article 41 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
  - (2) Audit committee shall comply with Article 218 of the Company Act.
  - (3) Actions taken pursuant to subparagraph (1) and subparagraph (2) shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

Where the Company amortizes special reserve in accordance with the aforementioned provisions, the Company shall not use the special reserve until the loss for depreciation has been recognized for assets purchased or leased at high prices, or has been disposed of, or the leasing contract has been terminated or with appropriate compensation or with restoration to the status quo ante or there has been other evidence proving no irrationality, as approved by the Financial Supervisory Commission.

For transaction of real estate or right-of-use assets thereof with related parties, if there is other evidence indicating that the transaction was not in conformity with arm's length, the Company shall follow the requirements of the above two subparagraphs.

- (6) Where the Company acquires real estate or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance requirements relating to Article 5.5.2, and the requirement relating to appraisal of reasonableness of transaction cost

under Paragraph 1 to Paragraph 3 of Article 5.5.3 do not apply:

- (1) The related party acquired the real estate or right-of-use assets thereof through inheritance or as a gift.
- (2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets thereof to the signing date for the current transaction.
- (3) The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the company's own land or on rented land.
- (4) The acquisition of business-use real estate right-of-use assets between the Company and its subsidiaries, or the subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.

#### 5.5.4 Authorization Amount and Level

Any transactions with related parties to acquire or dispose of real estate or the right-of-use assets shall be reported to the Audit Committee and the Board of Directors for approval. For operating lease transactions, if the annual transaction amount is less than NT\$20 million, it shall be submitted to the chairman of the board of directors for approval, except for operating lease transactions between the parent company and the subsidiary company, which shall be exempted from the reporting to the board of directors, and all other transactions shall be reported at the most recent board of directors' meeting. If the transaction exceeds NT\$20 million, the transaction shall be reported to the board of directors for approval before it can be made.

#### 5.6 Operational Procedures of derivative instruments

The Company has separately enacted "Operational Procedures to Engage in Transaction and Disposal of Derivatives" (FIN-10) as the very grounds for transaction in derivative instruments.

#### 5.7 Operational Procedures for a merger, demerger, acquisition, or transfer of shares

##### 5.7.1 Appraisal and operational procedures

- 1) In 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 the Company directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
- 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 the preceding paragraph 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.

Additionally, 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.

#### 5.7.2 Other key points for attention:

- 1) Dates to convene the board of directors meeting and shareholders' meeting: Unless otherwise specified in laws and ordinances concerned or in case of an extraordinary factor approved by the Financial Supervisory Commission, Executive Yuan beforehand, the companies participating in merger, demerger, acquisition shall convene the shareholders' meetings and board of directors meetings on the same day to resolve the decision about merger, demerger, acquisition affairs. Unless otherwise specified in laws and ordinances concerned or in case of an extraordinary factor approved by the Financial Supervisory Commission, Executive Yuan beforehand, the companies participating in acceptance of transfer of another company's shares merger shall convene the board of directors meetings on the same day.

Of the companies participating in merger, demerger, acquisition, or acceptance of transfer of another company's shares with the exchange-listed (over-the-counter) stocks at the business venues of securities dealers, the Company shall work out integrated records in writing as enumerated below and archive them for five (5) years ready for audit.

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

Those companies participating in merger, demerger, acquisition, or acceptance of transfer of another company's shares and in buys, sales of stocks at securities dealers shall declare through Internet system toward the Financial Supervisory Commission for future reference according to the statutory format the information set forth under Subparagraphs 1 and 2, of the preceding paragraph within two (2) days after the decision is resolved in

the Board of Directors.

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, With the a company that is listed on an exchange or has its shares traded on an OTC market, the Company shall execute an agreement and shall duly handle the business based on the aforementioned provisions.

- 2) Commitment to confidentiality obligations beforehand: 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.
- 3) Principles for stipulation and change in share swap ratios and acquisition prices: 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:
  - (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities
  - (2) An action, such as a disposal of major assets that affects the company's financial operations
  - (3) An event, such as a major disaster or major change in technology, which affects shareholder equity or share price.
  - (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
  - (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
  - (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
- 4) Contents to be recorded in the contract: 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:
  - (1) Handling of breach of contract
  - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
  - (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
  - (4) The manner of handling changes in the number of participating entities or companies.

- (5) Preliminary progress schedule for plan execution, and anticipated completion date.
  - (6) Relevant operational procedures for the scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures
- 5) In case of a change in the number of companies participating in merger, demerger, acquisition, or acceptance of share transfer: 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.
  - 6) 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 Paragraphs 1, 2 and 5 of this Article.

#### 5.8 Timeframe and contents of the public announcement and filing

5.8.1 Where the Company acquires or disposes of assets where any one among those circumstances enumerated below occurs, the Company shall, based on the specified formula, launch public announcement and filing through the website promulgated by the competent authority within two (2) days from date of occurrence of the fact:

- 1) Acquisition or disposal of real estate or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real estate or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% 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 repurchase of domestic money market funds issued by securities investment trust enterprises.
- 2) Merger, demerger, acquisition, or transfer of shares.
- 3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the special case approved by the Board of Directors.
- 4) Where the type of asset acquired or disposed is equipment or right-of-use assets thereof for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:
  - (1) For the paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
  - (2) For the paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.

- 5) 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 trading counterparty is not a related party, and the amount the company expects to invest in the transaction is less than NT\$500 million.

Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

- (1) Trading of domestic government bonds or foreign government bonds with credit ratings no inferior to our country's sovereign rating.
- (2) Trading of marketable securities on securities exchanges or OTC markets, or subscription of foreign government bonds or ordinary corporate bonds or general financial debentures without equity characteristics (excluding subordinated debt) offered and issued in the primary market, or subscription or repurchase of securities investment trust funds or futures trust funds, or subscription or resale of exchange trade notes (ETNs) or subscription of marketable securities by a securities firm as required for its underwriting business and serving as an underwriter on the emerging stock company, in accordance with the rules of the Taipei Exchange (TPEX).
- (3) Trading of bonds under repurchase/resale agreements, or subscription or repurchase of domestic money market funds issued by securities investment trust enterprises.

The amount of transaction mentioned in the preceding paragraph shall be calculated as follows:

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

5.8.2 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 commencing immediately from the date of occurrence of the event:

- 1) Change, termination, or rescission of a contract signed in regard to the

original transaction.

- 2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- 3) Change to the originally publicly announced and reported information.

5.8.3 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.

5.8.4 The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPA, attorney, and securities underwriter at the Company, where they shall be retained for 5 years except where another law provides otherwise.

5.8.5 The amounts of transactions for assets mentioned under Articles 5.1, 5.2 and 5.4 shall be duly handled in accordance with the provisions of the transaction amount mentioned in Article 5.8.1, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

5.9 The control procedures over subsidiaries in acquisition or disposal of assets.

5.9.1 A subsidiary shall, as well, duly enact the “Procedures for Acquisition or Disposal of Assets” in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and submit them to all supervisors and shareholders’ meeting for approval after being resolved in the Board of Directors. This same provision is applicable mutatis mutandis to an event of amendment.

A subsidiary of the Company, while acquiring or disposing of assets, shall duly handle in accordance with the “Internal Control System” and “Operational Procedures for the Acquisition or Disposal of Assets” enacted by itself.

5.9.2 If a subsidiary is not a domestic public company, its acquisition or disposal of assets has met the standards for public announcement and report of “Regulations Governing the Acquisition or Disposal of Assets by Public Companies”, the Company shall also make public announcement and report on behalf of such subsidiary.

5.9.3 The term “the paid-in capital or total assets” as used in the standards for public announcement and filing in Article 5.8 applicable to the subsidiary in the preceding paragraph shall refer to paid-in capital or total assets of the parent company (the Company).

5.10 Penalty clauses

Where the manager and person-in-charge in loaning the Company’s funds to others are found in contravention of these Operational Procedures, they shall be reported for performance evaluation in accordance with the Company’s Employee Rewards and Punishments Procedures as the actual situations may justify.

5.11 Other issues concerned

5.11.1 Amidst the standards/criteria of public announcement and filing by a subsidiary, the term “up to 20% of the paid-in capital or 10% of the total assets” is on the

grounds of the paid-in capital or total assets calculated with the parent company only or individual financial statements of the Company of the most recent term.

- 5.11.2 Where the share certificates issued by the Company bear no denomination or where the par value is not NT\$10 per share, with respect to the requirement for transaction amounts of twenty percent (20%) of paid-in capital, ten percent (10%) of shareholders' equity attributable to the parent company shall be used in the calculation. In the provision of transaction amount with paid-in capital up to NT\$10 billion in these Operational Procedures, in the event that the share certificates issued by the Company bear no denomination or are in par value not NT\$10 per share, it shall be counted based on NT\$20 billion of the equity attributable to owners of the parent company.
- 5.11.3 Where the Company's assets are acquired or disposed of through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- 5.11.4 Enforcement and amendment

An amendment to these Operational Procedures calls for consent by entire Audit Committee members by one half majority vote and shall be resolved in the Board of Directors. If not consented by entire Audit Committee members by one half majority vote, it may go ahead with consent by more than two-thirds of the total number of directorship seats. Where an independent director voices an objection or a reserved opinion, it shall be expressly remarked in the minutes of the board of directors meeting. The decision resolved in the Audit Committee shall be expressly remarked as well and shall be further submitted to the shareholders' meeting for consent after being resolved in the Board of Directors. This same provision is applicable *mutatis mutandis* to an event of amendment.