

Procedures Governing the Acquisition or Disposal of Assets by U-Ming Marine Transport Corporation

2022.6.8

Chapter 1 General Provisions

- Article 1 The acquisition and disposal of assets by this Corporation shall be handled in accordance with the property management policy and other relevant regulations of this Corporation and the Procedures Governing the Acquisition or Disposal of Assets (hereinafter referred to as these “Procedures”)
- Article 2 The term “Assets” as used in these Procedures shall include the following:
1. Marketable securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (pull) warrants, beneficiary securities, and asset-backed securities.
 2. Real property (including land, houses, and buildings, investment property) and facilities.
 3. Memberships.
 4. Intangible assets such as patent rights, copyrights, trademark rights, and franchise rights.
 5. Right-of-use assets.
 6. Derivatives.
 7. Assets acquired or disposed of on account of mergers, demergers, acquisitions, or transfer of shares in accordance with the law.
 8. Other major assets.
- Article 3 Key terms used in these Procedures are defined as follows:
1. Derivatives: Forward contracts, option contracts, futures contracts, leverage contracts, swap contracts, and combination of the aforementioned contracts, or synthetic contract of embedded derivative or structured products etc. whose value is derived from specific interest rates, financial tool prices, commodity prices, exchange rates, prices or fee rate indices, credit ratings etc. or credit indices, or other variables. Forward contracts shall not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sales) commitments.
 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 (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
 3. Related parties and subsidiaries: shall be defined in accordance with the regulations set forth in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 4. Professional appraiser: Real property appraisers or other providers of appraisal services for real property or facilities in accordance

with relevant laws.

5. Occurrence date: Transaction contract signature date, payment date, consignment trade date, transfer date, board resolution date, or other dates used to determine transaction parties or transaction amounts, whichever date is earlier. For investments requiring the approval by competent authorities the earliest of the above dates or the date of receipt of approval by competent authorities shall apply.
6. Investments in Mainland China: Investments in China approved by the Investment Commission of the Ministry of Economic Affairs or made in accordance with the provisions set forth in the Regulations Governing the Approval of Technical Cooperation.

Article 4 Acquisition or disposal of assets in accordance with these Procedures or other laws and regulations shall be approved by the board of directors. If board directors express their dissent as proven by records or written statement, the Corporation shall submit these dissenting opinions to the audit committee. Their opinions shall be given full consideration during deliberations by the board of directors regarding transactions involving the acquisition and disposal of assets in accordance with relevant regulations. Concurring or dissenting opinions of independent directors and the reasons for these opinions shall be included in the meeting minutes. Major asset or derivative transactions shall be consented by not less than half of all members of the audit committee and shall be submitted to the board of directors for resolution. Where for any matters consented by the audit committee pursuant to the provision of this procedure, if consent is not obtained from over half of all members of the audit committee, such matter shall be exercised upon consent by over two-thirds of all directors and the resolution shall be specified in the minutes of meeting of the board of directors. All members of the audit committee and all directors shall be calculated based on who are actually incumbent.

Article 5 Total investments in marketable securities listed in consolidated statements of the Corporation shall not exceed a maximum of 150% of the shareholders' equity as specified in the most recent financial statement, while investments in individual marketable securities listed in consolidated statements shall not exceed a maximum of 60% of the shareholders' equity as specified in the most recent financial statement. The total book value of non-operating real property, facilities and its right-of-use assets shall not exceed a maximum of 50% of the total asset value as specified in the most recent financial statement. Total equity investments of the Corporation and its subsidiaries shall not exceed a maximum of 150% of the shareholders' equity as specified in the most recent financial statement. This proportion shall be calculated in accordance with the regulations set forth in the Operating Rules of the Taiwan Stock Exchange Corporation and relevant decrees. The term "most recent financial statement" as used in these Procedures shall refer to consolidated financial statements of the Corporation audited and attested by a CPA in a transparent manner in accordance with relevant laws before the acquisition and disposal of assets.

Chapter 2 Handling procedures

Article 6 **Procedures governing the acquisition or disposal of marketable securities**

1. Appraisal procedures

- (a) When the Corporation engages in investments in marketable securities, the Finance Division or other relevant units shall conduct financial analyses and forecast potential returns as well as assess potential risks with regard to the investment target.
 - (b) Trading of marketable securities conducted on centralized markets or over-the-counter markets shall be judged and decided by responsible units based on market trends. As for trading of marketable securities which is not conducted on centralized markets or over-the-counter markets, financial statements of the issuing company for the most recent period audited and attested by a CPA shall be obtained as a reference for assessing the transaction price. Factors such as net asset value of each share, profitability, and future development potential shall be taken into consideration.
- 2. Solicitation of expert opinions
 - (a) Before the occurrence date of acquisition or disposal of marketable securities by the Corporation, financial statements of the issuing company for the most recent period audited and attested by a CPA shall be obtained as a reference for assessing the transaction price. If the transaction amount exceeds 20% of the total paid-in capital of the Corporation or NT\$ 300 million, an accountant should be consulted regarding the reasonableness of the transaction value before the occurrence date. However, these restrictions shall not apply if publicly quoted prices for said securities exist on active markets or the Financial Supervisory Commission (hereinafter referred to as these “FSC”) has stipulated otherwise.
 - (b) If the Corporation acquires or disposes of assets through foreclosure auction procedures, certificates issued by the court may replace appraisal reports or the opinions of accountants.
- 3. Decision-making authority and executive units

The acquisition or disposal of marketable securities shall be executed upon approval of relevant data that are inspected and submitted by the Finance Division by the board of directors. If prior approval is impossible, the General Manager shall be authorized to make decisions regarding transactions of a value of less than NT\$ 100 million (the General Manager may also delegate decision-making authority to others), while the Chairman shall be authorized to make decisions regarding transactions of a value of more than NT\$ 100 million (the Chairman may also delegate decision-making authority to others). Transactions shall be approved by the next board meeting.

Article 7

Procedures governing the acquisition or disposal of real property or facilities or its right-of-use assets

- 1. Appraisal procedures
 - (a) When the Corporation engages in investments in real property and facilities or its right-of-use assets, the Accounting Division or other relevant units shall carefully assess the expected investment returns and risks based on the current business and financial conditions and future development plans.
 - (b) The declared present value, assessed value, and the actual transaction value of adjacent real properties shall be taken into consideration for the acquisition or disposal of real property and transaction terms and values shall be recommended. These data shall be compiled into an analysis report.
 - (c) Facilities or its right-of-use assets shall be acquired or disposed of through price inquiry, price comparison, bargaining, or bidding.
- 2. Appraisal reports

Unless real property, facilities or its right-of-use assets are acquired or disposed of through transactions with a domestic government

agency, commissioned construction on owned or rented land, or acquisition and disposal of operating facilities or its right-of-use assets, appraisal reports shall be issued by professional appraisers before the occurrence date for transaction values exceeding 20% of the total paid-in capital or NT\$ 300 million (a detailed list of required items for appraisal reports is provided in Appendix 1). The following regulations shall be observed:

- (a) If limited prices, specified prices, or special prices are used as a reference basis for the determination of transaction prices due to special circumstances, said transaction shall be approved in advance by a board resolution. The aforementioned procedures shall also apply to subsequent modifications of transaction terms.
 - (b) If transaction amounts exceed NT\$ 1 billion, appraisals shall be conducted by at least two professional appraisers.
 - (c) An accountant shall be hired to conduct an appraisal and render specific opinions regarding the reasons for discrepancies and the appropriateness of the transaction price if the results of appraisals conducted by professional appraisers meet one of the following criteria unless the appraised values of assets to be acquired are all higher than the transaction amounts or the appraised values of assets to be disposed of are all lower than the transaction amounts:
 1. The discrepancy between appraisal results and the transaction amount exceeds 20%.
 2. The discrepancy between appraisal results of two or more professional appraisers exceeds 10% of the transaction amount.
 - (d) No more than 3 months shall elapse between the issuance date of the appraisal report and the contract conclusion date. If the publicly announced current value for the same period applies and less than six months have elapsed, the original professional appraiser shall issue an official opinion.
 - (e) If the Corporation acquires or disposes of assets through foreclosure auction procedures, certificates issued by the court may replace appraisal reports or the opinions of accountants.
3. Decision-making authority and executive units
- The acquisition or disposal of real property, facilities or its right-of-use assets shall be executed upon approval of relevant data that are inspected and submitted by the Finance Division by the board of directors. If prior approval is impossible, the General Manager shall be authorized to make decisions regarding transactions of a value of less than NT\$ 10 million (the General Manager may also delegate decision-making authority to others), while the Chairman shall be authorized to make decisions regarding transactions of a value of more than NT\$ 10 million (the Chairman may also delegate decision-making authority to others). Transactions shall be approved by the next board meeting.

Article 8

Procedures governing transactions by related parties

1. When the Corporation intends to acquire or dispose of assets from or to related parties, the resolution procedures and assessment of the reasonableness of the transaction terms shall be handled in accordance with the provisions set forth in these Procedures and appraisal reports issued by professional appraisers in accordance with these Procedures or accountant opinions shall be obtained if transaction amounts exceed 10% of the total asset value of the Corporation. When determining whether transaction parties are related parties, legal formalities and the actual nature of the relationship shall be taken into account.
2. Appraisal and operating procedures
 - (a) If transaction amounts for assets other than real property or its right-of-use assets acquired or disposed of from or to related

parties exceed 20% of the total paid-in capital of the Corporation, 10% of the total asset value, or NT\$ 300 million, the following data shall be submitted to the audit committee for consent and the board of directors for approval before transaction contracts may be signed or payments made. These regulations shall not apply to the trading of domestic government bonds, bonds under repurchase or resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises:

1. Purpose, necessity, and projected benefits of asset acquisition or disposal.
 2. Reasons for selection of related parties as transaction parties.
 3. Data related to the assessment of the reasonableness of the predefined transaction terms with regard to assets or its use-of-right assets acquired from related parties conducted in accordance with relevant regulations set forth in Paragraph 3, Clause 1 and 4 of this article.
 4. Date and price of the original acquisition by the related party, transaction parties, and their relationship with the Corporation and the related party.
 5. Forecasted monthly cash flows in the year following the month of contract conclusion and assessment of the necessity of the transaction and the reasonableness of fund utilization.
 6. Appraisal reports issued by professional appraisers or accountant opinions obtained in accordance with the regulations set forth in Paragraph one of this article.
 7. Restrictions and other important covenants pertaining to this transaction.
- (b) When our company submit to the board of directors for discussion in accordance with the aforementioned provision, opinions of various individual directors shall be fully considered. Dissenting opinion or reserved opinion of individual director, if there is any, shall be specified in the minutes of meeting of the board of directors.
- (c) If the Corporation or the subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the Corporation total assets, the Corporation shall submit the materials in all the subparagraphs of paragraph 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 Corporation and its parent company or subsidiaries or between its subsidiaries.
3. Assessment of the reasonableness of transaction costs
- (a) The following methods shall be employed for assessments of the reasonableness of transaction costs for real property or its right-of-use assets acquired from related parties:
1. Addition of necessary interest on funds and costs borne by the buyer in accordance with relevant laws based on the transaction price of the related party. Necessary interest on funds is imputed as the weighted average interest rate on borrowed funds in the year of asset acquisition by the Corporation. This rate shall not exceed the maximum interest rate on borrowings for non-financial institutions as announced by the Ministry of Finance.
 2. Total loan value appraisal conducted by a financial institution if a mortgage loan has been secured by the related party for said property. The actual cumulative loan amount granted by the financial institution for the property shall amount to over

70% of the total appraised loan value of the property and the period of the loan shall exceed one year. These regulations shall not apply if the financial institution and one of the transaction parties are related parties.

- (b) In case of combined purchases or lease of land and structures as a single property, transaction costs may be appraised separately for the land and building structures by employing any method specified in the preceding clause.
- (c) When acquiring real property or its right-of use asset from related parties, the Corporation shall not only appraise the costs of said property or its right-of-use assets in accordance with the regulations set forth in the preceding two clauses but shall also hire an accountant to conduct reviews and render specific opinions.
- (d) When one of the following conditions applies to the acquisition of real property or its right-of-use assets from related parties, such transactions shall be handled in accordance with the regulations set forth in Paragraph 1 and 2 of this article. The regulations regarding assessment of the reasonableness of transaction costs in the preceding three clauses shall not be applicable to such transactions.
 - 1. Related party acquired the real property or its right-of-use assets through inheritance or as a gift.
 - 2. Over five years have elapsed between the time the related party concluded a contract to acquire the property or its right-of-use assets and the date of the current transaction contract.
 - 3. Real property acquired by the related party through the signing of a joint construction contract or construction on owned or rented land by the related party as a contractor.
 - 4. Between our company and subsidiaries, or subsidiaries that our company holds 100% issued shares or total capital, the right-of-use asset of real property provided for operation is acquired.
- (e) If the results of assessments conducted in accordance with the regulations set forth in Clause (a) and (b) of this paragraph are uniformly lower than the transaction price, the regulations prescribed in Clause (f) and (g) of this paragraph shall apply. These restrictions shall not apply in case of the following circumstances if objective evidence has been submitted and specific opinions on reasonableness have been obtained from professional real estate appraisers or accountants:
 - 1. The related party has acquired raw or leased land for construction. Proof of conformance with one of the following conditions shall be provided:
 - (i) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 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.
 - (ii) Transaction case of non-related parties of other floors of the same property or adjoining areas within the last year provided that the area size and transaction terms are similar as determined by assessment of reasonable floor or area price differentials in accordance with real property or leasing trading practices.
 - 2. If the Corporation provides evidence that the transaction terms of real property acquired or the right-of-use assets of the real property acquired from leasing from related parties are similar to those of transaction case by non-related parties of adjoining areas of a similar parcel size within the last year. The term "adjoining area transactions" shall refer to transactions in the same

or an adjacent street block and within a radius of less than 500m from the transaction object or if the publicly announced current value is similar. The term “similar area size” shall refer to area sizes of transactions of non-related parties of at least 50% of the transaction object.

- (f) If the results of assessments conducted for real property or right-of-use assets acquired from related parties in accordance with the regulations set forth in the preceding five clauses of this paragraph are uniformly lower than the transaction price, the following steps shall be taken:
 - 1. A special reserve shall be set aside to account for the difference between the transaction price of the real property or its right-of-use assets and the appraised costs in accordance with the regulations set forth in Article 41, Paragraph 1 of the Securities and Exchange Act. Said reserve shall not be distributed or used for capital increase or stock dividends. If investors of this Corporation, which are public companies, adopt the equity method for evaluation they shall also set aside a special reserve proportional to its shareholding ratio in accordance with the law.
 - 2. Independent directors shall handle the matter in accordance with Article 218 of the Company Act.
 - 3. Measures taken in accordance with sub-clause 1 and 2 above shall be reported to the board of directors and the transaction details shall be disclosed in annual reports and investment prospectuses.
 - (g) Special reserves set aside by this Corporation pursuant to the regulations set forth in the preceding clause shall only be used upon approval by the Financial Supervisory Commission after a loss due to declining market values of assets purchased or leased at a premium has been determined or they have been disposed of, or the leasing contract has been terminated or appropriate compensation has been made, or the status quo ante has been restored, or other types of evidence prove that no unreasonable circumstances exist.
 - (h) If other types of evidence indicate that irregular business practices exist with regard to the acquisition of real property or its right-of-use assets from related parties by the Corporation, matters shall be handled in accordance with the regulations set forth in Clause (f) and (g) of this paragraph.
4. Decision-making authority and executive units
- Acquisition or disposal of operating facilities between the Corporation and its subsidiaries or subsidiaries that this corporation holds 100% issued shares or total capital engaging the following transactions directly or indirectly shall be executed upon approval of relevant data that are inspected and submitted by the Accounting Division or other relevant departments by the board of directors. The Chairman shall be authorized to make prior decisions regarding transactions of a value of less than NT\$ 300 million. Such transactions shall be confirmed by the next board meeting.
- (a) Operating facilities or its right-of-use assets acquired or disposed.
 - (b) Right-of-use assets of operating real property acquired or disposed.
5. Percentages of the total asset value referred to in the regulations prescribed in these Procedures shall be calculated based on the total asset value indicated in the most recent parent company only financial statement or individual financial statement prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

1. Appraisal and operating procedures
 - (a) When acquiring or disposing of intangible assets or its right-of-use assets or memberships, the Corporation shall obtain appraisal reports issued by experts
 - (b) When acquiring or disposing of intangible assets or its right-of-use assets, transaction terms and prices shall be recommended based on expert appraisal reports or fair market prices and shall be compiled into an analysis report to be submitted to the General Manager. Transactions of a value of less than NT\$ 3 million shall be approved by the General Manager and reported to the next board meeting after completion of said transaction to be approved for future reference. Transactions of a value of more than NT\$ 3 million shall be approved by a board meeting before they are executed.
2. Expert appraisal reports and opinions
 - (a) When acquiring or disposing of intangible assets, the Corporation shall obtain appraisal reports issued by experts.
 - (b) Unless intangible assets or its right-of-use assets or memberships are acquired or disposed of through transactions with a domestic government agency, accountants shall be hired to render opinions regarding the reasonableness of transaction prices before the occurrence date for transaction values exceeding 20% of the total paid-in capital or NT\$ 300 million.
 - (c) If the Corporation acquires or disposes of assets through foreclosure auction procedures, certificates issued by the court may replace appraisal reports or the opinions of accountants.
3. Executive units

Acquisitions and disposals of memberships or intangible assets or its right-of-use assets or memberships shall be executed upon submission for approval by the Accounting Division in accordance with the authority levels specified in Paragraph 1.

Article 9.1

The calculation of transaction amounts referred to in Article 6, 7, and 9 and Article 8, Paragraph 1 shall be handled in accordance with the regulations set forth in Article 12, Paragraph 1, Clause 7. “Within the last year” as used herein shall refer to one year calculated backwards from the occurrence date of this transaction. Items for which an appraisal report from a professional appraiser or the opinion of an accountant has been obtained in accordance with these Procedures need not be counted toward the transaction amount

The calculation of transaction amounts referred to in Article 8, Paragraph 2 shall be handled in accordance with the regulations set forth in Article 12, Paragraph 1, Clause 7. “Within the last year” as used herein shall refer to one year calculated back from the occurrence date of this transaction. Items that have been approved by the board of directors and confirmed by the shareholders’ meeting or the audit committee in accordance with these Procedures need not be counted toward the transaction amount.

Article 10 **Procedures governing the acquisition and disposal of derivatives**

1. Transaction principles and strategies

(a) Transaction types

1. This Corporation may engage in derivative transactions for the contract types specified in Article 3, Paragraph 1.
2. The term “for trading purposes” shall refer to the goal of exploitation of transaction price differentials by holders and issuers of derivatives. This includes transaction activities based on fair value measurement and recognized current profits or losses. “For purposes other than trading” shall refer to trading activities for purposes other than those mentioned above.

(b) Business or hedge strategy

1. For trading purposes: Business strategies are based on the principles of flexibility and agility.
2. For purposes other than trading: Hedge strategies based on principles of soundness and conservatism.

(c) Division of authority

1. Signing of transaction contracts and relevant documents: Chairman or other designated persons representing the Corporation.
2. Execution of transactions and assessment of profits and losses:
 - (1) If product types are related to raw materials, the Procurement Division shall be responsible. If they are related to finances, the Finance Division shall be responsible.
 - (2) Account creation, trading, confirmation, settlement: Decided and authorized by responsible executives of relevant departments.
 - (3) Dealing slips, payment requests, and payment deposit slips are created by traders, reviewed by competent executives at all levels, and forwarded to the Finance Division, Accounting Division, and Auditing Division.
 - (4) Profit and loss assessments are carried out by dedicated personnel of relevant departments and assessment reports are submitted to Chairman or his assigned proxy.
3. Accounting: The Accounting Division creates vouchers based on issued receipts and completes accounting statements based on accounting periods.
4. Audits: Scheduled and non-scheduled audits are conducted by the Auditing Division based on the internal audit system.
5. Legal Affairs: Reviews of transaction contracts are conducted by levels above legal specialists.
6. Unless stipulated otherwise, levels above administrator shall be in charge of the execution of transactions of derivatives.

(d) Performance assessment

Performance assessments are based on year-end net losses/profits.

(e) Total contract value and authorization levels

1. For trading purposes: Total contract values at any time point shall not exceed 10% of the net value of the Corporation in the previous year. Responsible executives of relevant departments shall be authorized to approve contracts of a value of less than 5% of the total net value. Said contracts shall be reported to the next board meeting after completion of said transaction to be approved for future reference. Contracts of a value of more than 5% of the total net value shall be approved by a board meeting before they are executed.
2. For purposes other than trading: Responsible executives of relevant units shall be authorized to approve transactions confined to assets or liabilities held or expected to be traded. Such transactions shall be reported to the next board meeting after completion to be approved for future reference.

(f) Upper limit of losses

1. For trading purposes: Upper limits of losses shall not be defined in individual contracts and shall instead be based on same contract types. Upper loss limits for all contracts shall be determined individually for different instruments:
 - (1) Forward or futures contracts: 5% of average costs.
 - (2) Options contracts:
 - (3) If this Corporation is the buyer, the upper price limit shall not exceed 5% of the total contract value. If this Corporation is the seller, a maximum of 5% of the total contract value may be added to the charged price.
 - (4) Swap and compound contracts: Losses shall not exceed 5% of the total contract value.
2. For purposes other than trading: Upper loss limits of individual contracts shall not exceed 25% of the total contract value. Upper loss limits of all contracts shall not exceed 25% of the total contract value of all contracts.

2. Risk management measures

- (a) Credit risks of transaction counterparties – Transaction counterparties shall be financial institutions with excellent rating.
- (b) Price reversal risks – Handled in accordance with the regulations set forth in Paragraph 1, Clause 6 of this article.
- (c) Market liquidity risks – The Corporation shall only engage in transactions of products for which horizontal two-way quotations between at least two financial institutions exist on the market.
- (d) Cash flow risks – Fair market prices shall be disclosed on a regular basis for traded financial products to properly express projected cash flows for said products.
- (e) Internal operation risks – Handled in accordance with the regulations set forth in Paragraph 1, Clause 3 of this article.
- (f) Legal risks with regard to the signing of contracts and relevant documents- Professional opinions shall be

- submitted by the Legal Affairs Office.
- (g) Personnel in charge of the trading of derivatives and the confirmation and settlement of such trades shall not concurrently perform each other's tasks.
 - (h) The personnel in charge of measurement, monitoring, and control of risks shall belong to different departments than the personnel specified in the preceding clause and shall submit reports to the board of directors or top-level executives not in charge of trading or position decision-making.
 - (i) Positions held in derivative trading shall be evaluated at least once a week, while hedge trading required for business operations shall be evaluated at least twice a month. Evaluation reports shall be forwarded to Chairman or his assigned proxy.
3. Internal audit system
- Internal auditing personnel shall have a clear understanding of the appropriateness of internal control operations with regard to derivative trading as well as review the actual compliance of trading departments with these Procedures on a monthly basis. These data shall be compiled into audit reports. If serious violations are detected, the audit committee shall be notified in writing.
4. Methods for regular assessments and handling of irregularities
- (a) Chairman or his assigned proxy to closely monitor the supervision and control of risks pertaining to derivative trading.
 - (b) Chairman or his assigned proxy to evaluate the performance in the field of derivative trading on a regular basis to determine conformance with adopted business strategies and ascertain whether or not incurred risks fall within the tolerance range set by the Corporation.
 - (c) Chairman or his assigned proxy shall evaluate the suitability of currently adopted risk management measures on a regular basis and determine proper handling in accordance with the procedures set forth in this article. They shall also monitor transactions and profits/losses. Detected irregularities shall be reported to the board of directors in a prompt manner and required response measures shall be adopted. If independent directors have been appointed, they shall attend board meetings and express their opinions.
 - (d) When this Corporation engages in derivative trading, a logbook shall be created specifying detailed transaction dates, amounts, and board approval dates as well as matters requiring careful assessment in accordance with Paragraph 2, Clause 9 and Clause 2 and 3 of this paragraph for future reference.

Article 11 Procedures governing mergers, demergers, acquisitions, or transfer of shares

1. Appraisal and operating procedures

- (a) When this Corporation engages in mergers, demergers, acquisitions, or transfer of shares, the Accounting Division shall commission an accountant, lawyer, or securities underwriter to render an opinion on the reasonableness of share swap ratios, acquisition prices, or distribution of cash or other property to shareholders before board meetings are convened and submit it to the board of directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by this Corporation 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 this Corporation directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
- (b) Public companies participating in mergers, demergers, or acquisitions shall create public documents for shareholders containing important covenants and matters related to said mergers, demergers, or acquisitions before shareholders' meetings. These documents shall be sent to shareholders together with expert opinions referred to in the preceding clause and meeting notifications as an important reference for approval/disapproval of mergers, demergers, or acquisitions. These regulations shall not apply to mergers, demergers, or acquisitions which do not require shareholders' meeting resolutions in accordance with other laws and regulations.
- (c) If shareholders' meetings of any company participating in mergers, demergers, or acquisitions cannot be convened or pass resolutions due to lack of a quorum, insufficient voting rights, or other legal restrictions or proposals are rejected by the shareholders' meeting, said company shall make a public statement regarding the reasons, follow-up procedures, and preliminary dates of shareholders' meetings in a prompt manner.

2. Other matters to be observed

- (a) Dates of board and shareholders' meetings: Companies participating in mergers, demergers, or acquisitions shall convene board and shareholders' meetings on the day of the transaction to pass resolutions on matters related to said mergers, demergers, or acquisitions unless stipulated otherwise in relevant laws or prior approval has been obtained from the Financial Supervisory Commission after the reporting of special circumstances.

Companies participating in transfer of shares shall convene board meetings on the day of the transaction unless stipulated otherwise in relevant laws or prior approval has been obtained from the Financial Supervisory Commission after the reporting of special circumstances.

If this Corporation participates in mergers, demergers, acquisitions, or transfer of shares shall create complete records containing the following data to be preserved for five years for reference purposes:

- 1. Basic data of personnel: involved in merger, demerger, acquisition, or share transfer plans or plan execution including titles, names, and personal ID numbers (Passport numbers for foreign nationals) prior to information disclosure.
- 2. Dates of material events: including signing of letters of intent or memoranda, the commissioning of financial or legal consultants, conclusion of contracts, and board meetings.

3. Important documents and meeting minutes: including merger, demerger, acquisition, or share transfer plans, letters of intent, memoranda, important contracts, and board meeting minutes.

This Corporation shall report the “Basic data of personnel involved” and “Dates of material events” specified above to the Financial Supervisory Commission via the online reporting system in the specified format within two days upon approval by resolution of the board of directors for future reference.

If companies participating in mergers, demergers, acquisitions, or transfer of shares are not publicly listed or their stocks are not traded on an OTC market, the Corporation shall sign agreements with them and proceed in accordance with the aforementioned regulations.
- (b) Prior confidentiality undertakings: All persons who participate or are in possession of knowledge about merger, demerger, acquisition, or share transfer plans shall issue a written undertaking of confidentiality. They shall not divulge the contents of said plans prior to public disclosure of information and shall not trade stocks or equity securities of the Corporation that are related to the merger, demerger, acquisition, or share transfer plan in their own name or that of a third party.
- (c) Principles governing the determination and alteration of share swap ratios or acquisition prices: When this Corporation participates in mergers, demergers, acquisitions, or transfer of shares, share swap ratios and acquisition prices may not be altered at will unless one of the following conditions applies. Alteration principles shall be stipulated in merger, demerger, acquisition, or share transfer contracts.
 1. Capital increase by cash, issuance of convertible corporate bonds, stock grants, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 2. Any action such as disposal of major corporate assets that affects the Corporation’s financial operations.
 3. Major disasters or technological changes that affect the Corporation’s shareholders’ equity or security prices.
 4. Adjustments pertaining to repurchase of treasury stock by any of the companies participating in mergers, demergers, acquisitions, or transfer of shares.
 5. Increase or decrease in the number of entities or companies participating in mergers, demergers, acquisitions, or transfer of shares.
 6. Other publicly disclosed conditions pertaining to alterations stipulated in contracts.
- (d) Contract contents: Contracts pertaining to the participation of this Corporation in mergers, demergers, acquisitions, and transfer of shares shall conform to the regulations set forth in Article 317-1 of the Company Act and Article 22 of the Enterprises Mergers and Acquisitions Act and shall contain the following stipulations:
 1. Handling of contract violations.
 2. Principles governing the handling of equity-type securities issued or treasury stock repurchased by companies before their liquidation through merger or their demerger.
 3. Principles governing the amount of treasury stock which can be repurchased by participating companies in accordance with the law after the base date of calculation of share swap ratios and the handling thereof.
 4. Methods for the handling of increases or decreases in the number of participating entities or companies.

5. Projected program progress and completion schedule.
 6. Procedures governing the scheduling of board meetings in accordance with the law if projects cannot be completed according to schedule.
- (e) If any of the companies participating in mergers, demergers, acquisitions, or transfer of shares plans to conduct additional mergers, demergers, acquisitions, or transfer of shares with other companies upon public disclosure, all completed procedures or legal actions shall be carried out anew by all participating companies unless the number of participating companies has been decreased and the shareholders' meeting has authorized the board of directors to alter the limits of authority in which case the participating company shall be exempt from convening a shareholders' meeting to pass a new resolution.
 - (f) If companies participating in mergers, demergers, acquisitions, or transfer of shares are not publicly listed, the Corporation shall sign agreement with them and proceed in accordance with the regulations set forth in Clause (a), (b), (e) of this paragraph

Chapter 3 Public disclosure of information

Article 12

Procedures governing the public disclosure of information

1. Items to be publicly announced and reported and relevant standards
 - (a) Transaction amounts for real property or its right-of-use assets acquired or disposed of from or to a related party as well as assets other than real property or its right-of-use assets acquired or disposed of from or to a related party exceed 20% of the total paid-in capital of the Corporation, 10% of the total asset value, or NT\$ 300 million. These regulations shall not apply to trading of domestic government bonds, bonds under repurchase or resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 - (b) Mergers, demergers, acquisitions, or transfer of shares.
 - (c) Losses incurred due to the trading of derivatives reach the upper limits for all contracts or individual contracts as set out in Article 10, Paragraph 1, Clause (f).
 - (d) Acquisition or disposal of operating facilities or its right-of-use assets if the transaction party is not a related party and transaction amounts fall short of NT\$ 500 million.
 - (e) If real property is acquired through commissioned construction on owned or rented land, joint construction and allocation of housing units or ownership percentages or separate sale with projected transaction amounts of less than NT\$ 500 million and its transaction target is an non-related party.
 - (f) Asset transactions or investments in Mainland China not stated in the preceding five clauses if transaction amounts exceed 20% of the total paid-in capital of the Corporation or NT\$ 300 million.
This shall not apply to the following conditions:
 1. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.

2. Bonds under repurchase or resale agreements, or subscription or redemption of money market issued by domestic securities investment trust enterprises.
- (g) The transaction amounts specified in the preceding six clauses shall be calculated as follows:
 1. Amount of any individual transaction.
 2. Cumulative transaction amount through acquisitions and disposals of the same type of underlying asset with the same trading counterpart within the last year.
 3. Cumulative transaction amount through acquisitions or disposals (acquisitions and disposals cumulated separately) of real property of the same development program within the last year.
 4. Cumulative transaction amount through acquisitions or disposals (acquisitions and disposals cumulated separately) of the same security type within the last year.
- (h) “Within the last year” as used herein shall refer to one year calculated back from the occurrence date of this transaction. Items already announced in accordance with these Procedures need not be counted toward the transaction amount.
2. Time limits for public announcements and reports
Public announcements and reports for asset acquisitions and disposals as specified in Clause (a) – (h) of the preceding paragraph shall be issued within two days after occurrence.
3. Announcement and reporting procedures
 - (a) This Corporation shall announce and report relevant information on the website designated by the Financial Supervisory Commission.
 - (b) This Corporation shall post information pertaining to derivative trading conducted by itself and its subsidiaries that are not domestic public companies until the end of the previous month on the information reporting website designated by the Financial Supervisory Commission by the tenth of every month.
 - (c) In case of necessary corrections of errors and omissions in required items for public announcements, the Corporation shall re-announce all required items within two days counting inclusively from the date of knowing of such error or omission.
 - (d) Upon public announcement of transactions in accordance with relevant regulations, the Corporation shall announce information related to the following circumstances on the website designated by FSC within two days upon occurrence:
 1. Modification, termination, or rescission of contracts related to original transactions.
 2. Failure to complete mergers, demergers, acquisitions, or transfer of shares by the scheduled date stipulated in the contract.
 3. Modification of the contents of original announcements or reports.
4. Announcements format
This Corporation makes announcements based on the items and contents set out in these Procedures. Formats are based on the Regulations Governing the Acquisition and Disposal of Assets by Public Companies in the appendix.

Chapter 4 Supplementary provisions

- Article 13 Storage and preservation of data pertaining to acquisition or disposal of assets
This Corporation shall store information pertaining to acquisition or disposal of assets including related contracts, minutes, log books, appraisal reports, opinions of accountants, lawyers, or securities underwriters and preserve it for a minimum of five years unless stipulated otherwise in relevant laws.
- Article 14 Subsidiaries of this Corporation shall abide by the following regulations:
1. Subsidiaries shall also formulate Procedures Governing the Acquisition or Disposal of Assets in accordance with relevant provisions set forth in the Regulations Governing the Acquisition and Disposal of Assets by Public Companies. These procedures shall be reported to the Accounting Division of the Corporation upon approval by the board of directors and a shareholders' meeting of said subsidiary. The Accounting Division shall control and manage the summaries of procedures formulated by subsidiaries for future reference. The same procedure shall apply to amendments.
 2. The board of directors of each subsidiary shall determine the quotas for total purchases of non-operating real property or its right-of-use assets or marketable securities and investments in individual securities by subsidiaries.
 3. If assets acquired or disposed of by subsidiaries that are not domestic public companies meet the standards for public announcement set forth in the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, this Corporation shall handle the reporting and announcement procedures.
 4. The provision of paid-in capital or total asset as used in the announcement and reporting standards of subsidiaries shall refer to the total paid-in capital or total asset value of this Corporation.
 5. Subsidiaries shall review independently whether or not their Procedures Governing the Acquisition or Disposal of Assets conform to the provisions set forth in the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and whether or not matters pertaining to the acquisition or disposal of assets are handled in accordance with said procedures. The auditing units of this Corporation shall examine the independent review reports submitted by the subsidiaries.
- Article 15 Penal provisions
If violations of regulations governing the handling of acquisition and disposal of assets by personnel of this Corporation cause major losses for this Corporation or are of a serious nature, this Corporation shall adopt disciplinary measures in accordance with The Regulations Governing Rewards and Penalties for Staff Members and relevant HR rules and regulations.
- Article 16 These procedures and all amendments hereof shall have the consent of the audit committee and resolution and approval of the board of directors and shall be submitted to the meeting of shareholders for consent. If board directors express their dissent as proven by records or written statement, this Corporation shall submit these dissenting opinions to the audit committee.
When these procedures are submitted to the board of directors for discussion according to the preceding provision, opinions of various independent directors shall be fully considered. Dissenting opinions or reserved opinions of independent directors shall be specified in the minutes of meeting of the board of directors.

Article 17 Supplementary provisions

Matters not specified in these Procedures shall be governed by relevant decrees or other relevant regulations of this Corporation.

Appendix 1

Appraisal reports shall contain the following items:

1. Items required to be recorded in accordance with the Regulations governing Appraisal Techniques for Real Property
2. Items related to professional appraisers and appraisal personnel:
 - (a) Names of professional appraisers, capital amounts, organizational structures, and staff composition.
 - (b) Name, age, and educational background of appraisal personnel (certificates provided), years of experience in appraisal work, number of handled appraisal projects.
 - (c) Relationship between professional appraisers, appraisal personnel, and the commissioning entity.
 - (d) Issued statements ascertaining that appraisal reports do not contain any false information or concealment.
 - (e) Date of issuance of appraisal reports.
3. Basic data pertaining to the appraised target object such as name, nature, location, and area size.
4. Real estate transaction examples within the area where the target area is located that can be used as reference for comparison.
5. If limited prices or specified prices are adopted for appraisal categories, the criteria for limitation or specification shall be determined. It shall further be verified whether such criteria are currently being met. The reasons and reasonableness of discrepancies with regular prices shall be determined. Finally, it shall be specified whether or not said limited or specified prices shall serve as a reference for transaction prices.
6. Joint construction contracts shall stipulate reasonable distribution ratios.
7. Calculation of Land value increment taxes.
8. If discrepancies between price appraisals conducted on the same date or during the same period by professional appraisers exceed 20%, measures shall be taken in accordance with Article 41 of the Real Estate Appraiser Act.
9. Appraisal details for the target object, ownership registration data, cadastral map transcription, urban planning sketches, target object location maps, land use zoning certificates, and pictures of the current state of the target object shall be included in the appendix.