

Swancor Holding Company Limited
Procedures for the Acquisition or Disposal of Assets

2023.05.29

1.0 Purpose

The Procedures are established to safeguard assets and implement information disclosure. Acquisition or disposal of the Company's asset shall comply with the Procedures. However, if there are other provisions in relevant financial laws and regulations, such provisions shall prevail.

2.0 Scope

2.1 Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial securities, and asset-backed securities, etc.

2.2 Real property (including land, building and structures, real property held for investment purposes, inventories of construction enterprises) and equipment.

2.3 Memberships.

2.4 Patents, copyrights, trademarks, franchise rights, and other intangible assets.

2.5 Right-of-use assets

2.6 Claims of financial institutions (including receivables, foreign exchange rebate, loans, and overdue receivables).

2.7 Derivatives.

2.8 Assets acquired or disposed of in connection with mergers, spin-off, acquisitions, or share transfer in accordance with law.

2.9 Other major assets.

3.0 Authority

3.1 Financial unit: handling of matters related to these Procedures.

4.0 Explanation of terms

4.1 Derivative products: refer to forward contracts, option contracts, futures contracts, leveraged margin contracts, swap contracts, combinations of the above contracts, or combination contracts or structured products embedded in derivative products whose value is derived from specific interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indices, credit ratings or credit indices, or other

variables. The term "Forward Contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts or long-term purchase or sale agreements.

- 4.2 The term "Assets Acquired or Disposed by Mergers, Spin-off, Acquisition or Share Transfer Pursuant to Laws" means assets acquired or disposed of by mergers, spin-off, acquisition or share transfer, pursuant to Business Mergers and Acquisitions Act, Financial Holding Companies Act, Financial Institutions Merger Act or other acts; or share transfer from other companies by issuing new shares of its own as the consideration therefor (hereinafter "transfer of shares") pursuant to Article 156-3 of the Company Act.
- 4.3 The term "related party" and "subsidiaries" as used in these Procedures mean those parties defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.4 The term "professional appraisal" as used in these procedures, means a certified appraiser or a company in the business of appraising real property or equipment by law.
- 4.5 Date of occurrence: refers to the date when the transaction is signed, the date of payment, the date of entrusted transaction, the date of transfer of ownership, the date of resolution by the board of directors, or any other date sufficient to determine the counterparty for the transaction and the amount of the transaction. However, with investments that require the approval of the competent authority, the earliest of the above dates or the date of receipt of approval by the competent authority shall apply.
- 4.6 Investments in China: means investments made in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area by the Investment Commission of the Ministry of Economic Affairs, R.O.C.
- 4.7 Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- 4.8 Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- 4.9 Over-the-counter venue ("OTC venue"): "Domestic OTC venue" refers to a venue for

OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

- 4.10 The term "within one year" refers to the date of occurrence of the acquisition or disposal of assets, and the one-year retrospective calculation is made. The part of the appraisal report or the opinion of the accountant issued by the professional appraiser in accordance with the provisions of these procedure shall not be included in the report.
- 4.11 "Latest financial statement" refers to the disclosed financial statement that is audited or reviewed by the accountant before the Company's acquisition or disposal of assets.
- 4.12 Terms not defined in these procedures shall be used in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the securities competent authority.
- 4.13 For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Procedures, 10 percent of equity attributable to owners of the parent shall be substituted. According to the provisions of these guidelines, the transaction amount with paid in capital of NT\$10 billion shall be calculated based on the equity of NT\$20 billion attributable to the owners of the parent company.

5.0 Process Notes

5.1 Below are the procedures and limits relevant to the acquisition and disposal of the Company's assets.

5.1.1 Investment in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficiary securities and asset-based securities, etc.: to be approved at each level in accordance with the "Approval Authority".

5.1.2 Real property and its right-of-use assets:

5.1.2.1 If the counterparty is a non-related party: to be approved at each level in accordance with the "Approval Authority".

5.1.2.2 If the counterparty is a related party: to be approved by the Board of Directors. If the relationship with the related party could meet the

requirements in 5.8.5, the transaction amount shall be approved level by level according to the Approval Authority, and submitted to the Board of Directors for confirmation afterwards.

5.1.3 Other fixed assets, membership cards and intangible assets: to be approved at each level in accordance with the "Approval Authority".

5.1.4 Derivative products: shall be processed in accordance with the Company's "Procedures for Engaging in Derivatives Trading".

5.2 Execution unit

5.2.1 Acquisition or disposal of long-term and short-term securities: Financial Center or other relevant unit.

5.2.2 Acquisition or disposal of real property and its right-of-use assets, other fixed assets, memberships and intangible assets: General Information Office, Financial Center or other relevant units.

5.3 Investment amount

5.3.1 The total amount of real property and its right-of-use assets acquired by the Company and its subsidiaries for non-business use shall not exceed 30% of the net worth, the total amount of long-term and short-term securities invested shall not exceed 100% of the net worth, and the amount of individual securities invested shall not exceed 50% of the net worth.

5.3.2 The above calculation of long-term and short-term securities does not include the amount of investment in subsidiaries and related enterprises.

5.4 Standards for announcement and declaration

5.4.1 In the event of the following circumstances, the Company shall, in accordance with the prescribed format, make a public announcement and declaration on the website designated by the FSC within two days from the date of occurrence of the facts:

5.4.1.1 Acquisition or disposal of real property or its right-to-use assets from or to a related party, or acquisition or disposal of assets other than real property or its right-of-use assets from or to a related party where the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.

- 5.4.1.2 Merger, spin-off, acquisition, or transfer of shares.
- 5.4.1.3 Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in these Procedures adopted by the Company.
- 5.4.1.4 For acquisition or disposal of the equipment or its right-of-use assets for business use, and the transaction counterparty is not a related party, and the transaction amount meets one of the following requirements:
 - 5.4.1.4.1 For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - 5.4.1.4.2 For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- 5.4.1.5 A public company engaged in construction business obtains or disposes of real property or its right-of-use assets for construction, and its transaction counterparty is not a related party, and the transaction amount is not more than NT\$500 million; of which, the paid in capital is more than NT\$10 billion, and the transaction amount is up to NT\$1 billion for the disposal of real property built and completed by itself, and the transaction counterparty is not a related party.
- 5.4.1.6 Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction is less than NT\$500 million.
- 5.4.1.7 Assets trading, disposition of creditor's rights by financial institutions or investment in China, other than those mentioned in the preceding six subparagraphs, with the transaction amount reaching 20% of the Company's paid in capital or NT\$300 million or more. Provided, this shall not apply to the following circumstances:
 - 5.4.1.7.1 Trading of domestic government bonds or foreign government bonds with credit ratings not lower than the sovereign rating of our country..
 - 5.4.1.7.2 Where done by professional investors-securities trading on securities exchanges or OTC markets, or subscription of

foreign government bonds or ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, subscription or buy back exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

5.4.1.7.3 Trading of bonds under repurchase/resale agreements or subscription or redemption of domestic money market funds issued by securities investment trust enterprises.

5.4.2 The transaction amounts in the preceding paragraphs shall be calculated in accordance with the methods provided below:

5.4.2.1 The amount of any individual transaction.

5.4.2.2 The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.

5.4.2.3 The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.

5.4.2.4 The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

5.4.4 The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries of companies that are not domestic public companies and file the information in the prescribed format into the Financial Supervisory Commission's designated MOPS by the 10th day of each month.

5.4.5 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 within 2

days and reported in their entirety.

- 5.4.6 Unless otherwise provided for by other laws, the Company engaging in the acquisition or disposal of assets shall retain the relevant contracts, meeting minutes, registry, appraisal report, and the opinion books by CPA, attorneys, and security underwriters at the Company for at least 5 years.
- 5.5 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the MOPS designed by the Financial Supervisory Commission within 2 days commencing immediately from the date of occurrence of the event:
 - 5.5.1 Change, termination, or rescission of a contract signed in regard to the original transaction.
 - 5.5.2 The merger, spin-off, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - 5.5.3 Change to the originally publicly announced and reported information.
- 5.6 Penalty
 - 5.6.1 If the relevant personnel of the Company violate the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or the provisions of these Procedures, thereby damaging the rights and interests of the Company, they shall be reported according to the working rules of the Company's employees, and shall be punished according to the severity of circumstances.
- 5.7 The evaluation procedures for the acquisition or disposal of assets of the Company are as follows:
 - 5.7.1 In acquiring or disposing of real property or equipment by the Company, unless otherwise transacting with a government agency, commissioning others to build on its own land, leased land by appointing a constructor, or acquiring or disposing equipment or its right-of-use assets for business use, where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million, the Company shall obtain an appraisal report issued by a professional appraisal and further comply with the following provisions prior to the date of occurrence of event:
 - 5.7.1.1 Due to special circumstances, where a limited price, specified price or special price is deemed as the basis of reference for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.

- 5.7.1.2 Where the transaction amount is more than NT\$1 billion, appraisals from two or more professional appraisers shall be obtained.
- 5.7.1.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - 5.7.1.3.1 The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - 5.7.1.3.2 The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- 5.7.2 No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. 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.
- 5.7.3 When acquiring or disposing of securities, the Company shall take the latest financial statements of the underlying company, which have been audited or reviewed by the CPA, as the reference for evaluating the transaction price before the date of occurrence. In addition, if the transaction amount reaches 20% of the company's paid in capital or NT\$300 million or more, the Company shall consult the CPA before the date of occurrence to express an opinion on the reasonableness of the transaction price. This requirement does not apply, however, to securities with publicly quoted prices in an active market or in compliance with regulations set by the Financial Supervisory Commission. The calculation of the transaction amount shall be handled in accordance with the provisions of 5.4.2.
- 5.7.4 If the Company acquires or disposes of intangible assets or its right-of-use assets or membership certificates, and the transaction amount reaches 20% of the Company's paid in capital or NT\$300 million or more, it shall, in addition to dealing with domestic government agencies, consult a CPA to express an opinion on the reasonableness of the transaction price before the date of occurrence. The calculation of the transaction amount shall be handled in accordance with the provisions of 5.4.2.

- 5.7.5 Court documents can be substituted for reports or opinions issued by a CPA or certified appraiser if the assets are acquired or disposed through court auction.
- 5.7.6 The appraisal report obtained by the Company or the opinions of CPAs, lawyers or securities underwriters, the professional appraiser, its appraisal personnel, CPAs, lawyers or securities underwriters shall comply with the following provisions:
- 5.7.6.1 Free of imprisonment for more than one year due to violation against this law, Company Act, Banking Act, Insurance Act, Financial Holding Company Act, and Business Account Act, or fraud, breach of faith, encroachment, falsification of documents or business crimes. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- 5.7.6.2 It shall not be a related party to the transaction principal or involve a related party substantially.
- 5.7.6.3 When Company needs to acquire the appraisal reports from two or more professional appraisers, both or all of them or their employees shall not be related parties to each other or involve a related party substantially.
- 5.7.6.4 When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules for each of its peer associations and the following:
- 5.7.6.4.1 Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- 5.7.6.4.2 When executing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- 5.7.6.4.3 They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- 5.7.6.4.4 They shall issue a statement attesting to the professional competence and independence of the personnel who prepared

the report or opinion, and that they have evaluated and found that the information used is adequate and reasonable, and that they have complied with applicable laws and regulations.

5.8 The operating procedures for the acquisition or disposal of assets by the Company and its related parties are as follows:

5.8.1 When acquiring or disposing of assets from related parties, the Company shall, in addition to the provisions of 5.7, obtain the appraisal report issued by a professional appraiser or CPA's opinion in accordance with 5.7 if the transaction amount reaches more than 10% of the Company's total assets. The calculation of the transaction amount shall be handled in accordance with the provisions of 5.4.2.

5.8.2 In judging the relationship, in addition to legal formalities, the substance of the relationship shall also be considered.

5.8.3 If the Company acquires or disposes of real property or its right-of-use assets from a related party, or acquires or disposes of assets other than real property or its right-of-use assets with a related party, and the transaction amount reaches 20% of the Company's paid in capital, 10% of its total assets, or NT\$300 million or more, except for buying and selling domestic government bonds, bonds with repurchase or resale conditions, subscribing for or repurchasing money market funds issued by domestic securities investment trust enterprises, the following data shall be submitted to the Audit Committee for approval by more than half of the members of the committee and also to the Board of Directors for approval the transaction contract and making payment:

5.8.3.1 The purposes, necessity, and anticipated benefits of the acquisition or disposition of the assets.

5.8.3.2 The reasons for selecting the related persons as the transaction counterparty.

5.8.3.3 When acquiring real property or its right-of-use assets from related parties, the Company shall evaluate relevant data of rationality of predetermined transaction conditions in accordance with 5.8.7.

5.8.3.4 Information such as the date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.

5.8.3.5 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 uses of fund.

5.8.3.6 An appraisal report from a professional appraiser or a CPA's opinion obtained

in compliance with the preceding article.

5.8.3.7 Restrictive covenants and other important stipulations associated with the transaction.

5.8.4 The calculation of the transaction amount in 5.8.3 and 5.8.5 shall be conducted in accordance with 5.4.2, and the said one-year period is based on the date of the occurrence of the transaction, which is calculated retroactively one year ahead. Those that have been submitted to shareholders' meeting, the Board of Directors and the Audit Committee for approval in accordance with the provisions of these Procedures are not included.

5.8.5 When the Company and its subsidiaries, or its subsidiaries that the Company directly or indirectly holds 100% of the issued shares or total capital, engage in the following transactions with each other, the board of directors may, in accordance with the provisions of 5.1 and 5.3 of these Procedures, authorize the Chairman to make a decision within a certain amount and then submit it to the latest board of directors for ratification:

5.8.5.1 Acquisition or disposal of the equipment or the right-of-use assets for business use.

5.8.5.2 Acquisition or disposal of real property right-of-use assets held for business use.

5.8.6 When reporting to the board of directors for discussion in accordance with 5.8.3, the Company shall take full account of the opinions of the independent directors. If the independent directors have any objections or reservations, they shall state them in the meeting minutes of the board meeting.

5.8.6.1 Before the Company submits it for the resolution by the Board of Directors in accordance with 5.8.3, it shall first obtain the consent of more than half of all members of the Audit Committee and submit it for the resolution of the board of directors, which applies the provisions of 5.11.3 and 5.11.4 *mutatis mutandis*.

5.8.6.2 If the transaction under 5.8.3 between the Company or a Company's subsidiary that is not listed amounts to more than 10% of the public company's total assets, the Company shall submit the information listed in the 5.8.3 to the shareholders' meeting for approval before signing the transaction contract and making the payment. However, this does not apply to transactions between the Company and its parent company and subsidiaries, or between its subsidiaries.

5.8.7 Evaluation of Reasonableness of Transaction Cost

5.8.7.1 The Company shall evaluate the reasonableness of transaction costs in

the following ways when acquiring property or its right-of-use assets from related parties:

- 5.8.7.1.1 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.
- 5.8.7.1.2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
- 5.8.7.2 In the case of purchasing or leasing the same subject land and house jointly, the transaction cost may be evaluated by any of the methods listed in 5.8.7.1 for the land and house respectively.
- 5.8.7.3 In addition to evaluating the cost of real property or its right-of-use assets in accordance with the above provisions, a CPA shall be consulted for review and expressing specific opinions.
- 5.8.7.4 Under any of the following circumstances, the provisions of 5.8.3 and 5.8.6 shall apply, but the provisions of the first three paragraphs shall not apply:
 - 5.8.7.4.1 The related party obtains the real property or its right-of-use assets due to inheritance or donation.
 - 5.8.7.4.2 It has been more than five years since the contract date of this transaction that the related party has contracted to acquire the real property or its right-of-use assets.
 - 5.8.7.4.3 The real property is acquired through signing of a joint development contract with the related party, or contracting with a related party in the construction of real estate such as contracted construction with its own land or contracted construction on leased land.

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

5.8.7.5 If the evaluation result is lower than the transaction price according to 5.8.7.1 and 5.8.7.2, it shall be handled according to 5.8.7.6, except for the following circumstances, where objective evidence is provided and specific reasonable opinions are obtained from professional real property appraisers and CPAs:

5.8.7.5.1 Where the related party acquired undeveloped land or leased land for development, proof of compliance may be submitted with one of the following conditions:

5.8.7.5.1.1 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 term "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.

5.8.7.5.1.2 The completed transactions of other floors of the same property or adjacent area by unrelated parties within the preceding year, where the terms of the transactions are similar and the reasonable price discrepancies of different floors or land area with market practice have been taken into consideration.

5.8.7.5.2 The terms of the transaction for real property purchased from a related party or for real property use-of-right assets acquired under lease are similar to those of other unrelated party transactions in the neighboring area within one year and the area is similar.

5.8.7.5.3 The aforementioned item "completed transactions for adjacent area" 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 to the latest official land price promulgated by the government. The term "the area of the property thereof are similar" in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. The term "within the preceding year" refers to the year retrospectively preceding the date of occurrence of the acquisition of the real property.

- 5.8.7.6 If the Company obtains the real property or its right-of-use assets from the related parties and the evaluation result is lower than the transaction price according to 5.8.7.1 to 5.8.7.5, it shall handle the following matters:
- 5.8.7.6.1 A special reserve shall be set aside according to the provisions against the difference between the transaction price of the real property or its right-of-use assets and the appraised value, 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 required by law shall be set aside pro rata to the shareholding in accordance with the provisions.
 - 5.8.7.6.2 Audit Committee shall comply with Article 218 of the Company Act.
 - 5.8.7.6.3 Actions taken pursuant to 5.8.7.6.1 and 5.8.7.6.2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- 5.8.7.7 Where the Company has set aside a special reserve under 5.8.7.6, the Company shall not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission has given its consent.
- 5.8.7.8 Where the Company obtains real property or its right-of-use assets from a related party, it shall also comply with 5.8.7.6 and 5.8.7.7 if there is other evidence indicating that the acquisition was not an arm's-length transaction.

5.9 Procedures for handling merger, spin-off, acquisition or transfer of shares by the Company

5.9.1 Where the Company conducts a merger, spin-off, acquisition, or transfer of shares, the Company shall, prior to convening the Board of Directors to resolve on the matter, engage a Certified Public Accountant, attorney, or securities underwriter to render an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other assets to shareholders, and submit it to the Board of Directors for discussion and resolution. However, merging the subsidiaries which the Company directly and indirectly holds 100% issued shares or amount of capital, or the merging between the subsidiaries which the Company directly and indirectly holds 100% issued shares or amount of capital, do not need to render an opinion on the reasonableness by professions.

5.9.2 The Company participating in a merger, spin-off or acquisition shall prepare a public report to shareholders detailing important contractual content and relevant matters related to such merger, spin-off or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding paragraph when sending shareholders meeting invitation for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.

5.9.3 Where the shareholders meeting of any one of the companies, participating in a merger, spin-off, or acquisition, fails to convene or pass a resolution due to inadequate quorum, insufficient votes, or other legal restriction, or the proposal is vetoed by the shareholders meeting, the companies participating in the merger, spin-off or acquisition shall immediately make public statement on the reasons, the follow-up measures, and the preliminary date of the next shareholders meeting.

5.9.4 Unless otherwise prescribed by law or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent, the Company participating in the merger, spin-off or acquisition shall convene the Board of Directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, spin-off or acquisition.

Unless otherwise prescribed by law or the Financial Supervisory Commission is notified in advance of extraordinary circumstances and grants consent, the Company participating in a transfer of shares shall call a Board of Directors meeting on the day of the transaction.

5.9.5 When participating in a merger, spin-off, acquisition, or transfer of another

company's shares, the Company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:

- 5.9.5.1 Basic information of the personnel: Including the titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning of any merger, spin-off, acquisition, or transfer of another company's shares or the implementation of the plan prior to disclosure of such information.
 - 5.9.5.2 Dates of material events: Including the dates of signing any letter of intent or memorandum of understanding, retaining a financial advisor or legal counsel, execution of a contract, and the convening of a Board of Directors meeting.
 - 5.9.5.3 Material documents and minutes: Including documents for merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.
- 5.9.6 When participating in a merger, spin-off, acquisition, or transfer of another company's shares, the Company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, report in the prescribed format and via the Internet-based information system the information set out in 5.9.5.1 and 5.9.5.2 to the Financial Supervisory Commission for recordation.
- 5.9.7 Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is neither listed on an exchange nor traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the requirements as set forth under 5.9.5 and 5.9.6.
- 5.9.8 The Company that participates in a merger, spin-off, acquisition, or transfer of shares shall not arbitrarily alter the share exchange ratio or acquisition price unless under any of the circumstances enumerated below, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:
- 5.9.8.1 Capital increase in cash, issuance of convertible corporate bonds, or issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity based securities.
 - 5.9.8.2 An action such as a disposal of major assets that would affect the

Company's financial operations.

- 5.9.8.3 Occurrence of an event such as a major disaster or major change in technology that would affect shareholder equity or share price.
 - 5.9.8.4 An adjustment where any of the companies participating in the merger, spin-off, acquisition, or transfer of shares from another company, buys back treasury stock.
 - 5.9.8.5 An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.
 - 5.9.8.6 Other terms/conditions that the contract stipulates may be altered and the altered terms/conditions have been publicly disclosed.
- 5.9.9 A contract for participation by the Company in a merger, spin-off, acquisition, or shares transfer shall expressly record the rights and obligations of the companies participating in the merger, spin-off, acquisition, or transfer of shares, and also record the matters enumerated below:
- 5.9.9.1 Handling of breach of contract.
 - 5.9.9.2 Principles for handling equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is spin-off.
 - 5.9.9.3 The amount of treasury stock that the participating companies are permitted under law to buy back after the base date of calculation of the share exchange ratio, and the principles for handling thereof.
 - 5.9.9.4 The manner to deal with a change in the number of participating entities or companies.
 - 5.9.9.5 Preliminary progress schedule for plan execution, and anticipated completion date of the execution.
 - 5.9.9.6 Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- 5.9.10 After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or share transfer intends to further carry out a merger, spin-off, 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, spin-off, acquisition, or share transfer; except where the number of participating companies is decreased and a participating company's shareholders meeting has resolved a

decision authorizing the Board of Directors to alter the limits of authority. Such a participating company may be exempted from calling another shareholders meeting to resolve the matter anew.

5.9.11 Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with that non-public company whereby the latter is obliged to comply with the provisions of the Procedures.

5.9.12 Each and every person participating in or possessing knowledge of the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to the 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, spin-off, acquisition, or transfer of shares.

5.10 Regulations on acquisition or disposal of assets by subsidiaries

5.10.1 The Company shall see to it that its subsidiaries adopt and implement the procedures for the acquisition or disposal of assets in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". Information relating to any acquisition or disposal of assets by the subsidiaries shall be provided regularly to the Company for inspection.

5.10.2 The Company's subsidiary is not a domestic public listed company, hence, the Company will proceed with the disclosure and report if the subsidiary satisfies the criteria pertaining to the public disclosure items of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies. If there is any change, supplement or correction, the same shall apply.

5.10.3 The "Company's paid-in capital or total asset" in the announcement declaration standards of subsidiary is subject to the paid-in capital or total assets of the Company.

5.11 Implementation and amendments

5.11.1 The Procedures shall first be passed by the Audit Committee and the Board of Directors before it is submitted to the shareholders' meeting for approval and implementation. The same shall apply to any amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.

5.11.2 When the Company submits the procedures for the acquisition or disposal of assets to the board of directors for discussion, it shall fully consider the opinions of the independent directors. If the independent directors have any

objections or reservations, they shall be recorded in the minutes of the board meeting.

- 5.11.3 When the Company formulates or amends the procedures for the acquisition or disposal of assets, it shall obtain the consent of more than half of the members of the Audit Committee and submit it for the resolution of the board of directors.

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

- 5.11.4 The terms "all Audit Committee members" and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.