

Innodisk Corporation

Procedures for Acquisition or Disposal of Assets

Article 1: Purpose

The Procedures are formulated to protect assets and implement information disclosure.

Article 2: Legal Basis

These Procedures are formulated in accordance with Article 36-1 of the Securities and Exchange Act and the relevant provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission (hereinafter referred to as the FSC) of the Executive Yuan. However, where other laws and regulations provide otherwise, such provisions shall prevail.

Article 3: Scope of Assets

- I. Marketable securities: stocks, bonds, corporate bonds, financial bonds, securities representing funds, depository receipts, call (put) warrants, beneficiary securities and asset-based securities.
- II. Real estate (including land, housing and construction, investment real estate, and inventory of construction) and equipment.
- III. Membership cards.
- IV. Intangible assets: patents, copyrights, trademarks, franchises and other intangible assets.
- V. Right-of-use assets.
- VI. Creditor’s rights of financial institutions (including receivables, foreign exchange discounts, loans and receivables on demand).
- VII. Derivatives.
- VIII. Assets acquired or disposed of by merger, division, acquisition or share transfer in accordance with the law.
- IX. Other important assets.

Article 4: Definitions

- I. Derivative product: It refers to a trading contract (such as a forward contract, option contract, futures contract, leveraged margin contract, exchange contract, portfolio of the contracts above, portfolio contract with embedded derivatives or structured product) whose value is derived from a specific interest rate, financial instrument price, commodity price, exchange rate, price or rate index, credit rating or credit number, or other variables. The forward contracts referred to in this Procedures do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term purchase (sale) contracts.
- II. Assets acquired or disposed of by merger, division, acquisition or share transfer according to law: assets acquired or disposed of in accordance with the Business Mergers And Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act or other laws, or issuance of new shares in exchange for the shares of other companies in accordance with Article 156-3 of the Company Act (hereinafter referred to as share transfer).
- III. Related party and subsidiary: refers to the party recognized in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: refers to a real estate appraiser or a person who may be engaged in the appraisal business of real estate or equipment in compliance with the law.
- V. Date of occurrence: refers to the date of signing, payment, entrusted transaction, ownership transfer, resolution of a board meeting or a date on which the trading counterparty and transaction amount may be determined, whichever is earlier. For investors who need to be approved by the competent authority, the earlier of the dates above or the date of receipt of approval by the competent authority shall prevail.
- VI. Investment in mainland China: refers to investment conducted in mainland China in accordance with the Licensing Measures for Investment or Technical Cooperation in Mainland China by the Investment Commission of the Ministry of Economic Affairs.
- VII. The term “most recent financial statements” refers to the financial statements that are legally disclosed and audited or reviewed by a CPA before the Company acquires or disposes of assets.
- VIII. Stock exchange: For a domestic stock exchange, it refers to the Taiwan Stock Exchange Corporation; for a foreign stock exchange, it refers to any organized securities exchange managed by the competent securities authority of the country.
- IX. Business premises of a securities firm: The business premises of a domestic securities firm refer to the place where the securities firm sets up special counters for trading in accordance with the law governing the trading of securities on the business premises of securities firms; the business premises of a foreign securities firm refer to the business premises of a financial institution that is supervised by the competent foreign securities authority and operates securities business.

- Article 5: The limits of the Company's investment in real estate not for business purposes and its right-of-use assets or securities investment
- I. The total amount of real estate the Company purchases for non-business purposes shall not be higher than 30% of the net value of the Company; the total amount of real estate purchased by each subsidiary of the Company for non-business use shall not exceed 30% of the net value of the Company.
 - II. The total amount of the Company's securities investment shall not be higher than 20% of the net value of the Company; the total amount of securities investment of the Company's subsidiaries shall not be higher than 20% of the net value of the Company.
 - III. The investment individual securities investment of the Company shall not be higher than 10% of the net value of the Company, and the total investment amount of the Company and its subsidiaries shall not be higher than 20% of the net value of the Company; the individual securities investment of each of the Company's subsidiaries shall not be higher than 10% of its net value.
- Article 6: For the appraisal report or opinion of accountants, lawyers or securities underwriters obtained by the Company, the professional appraiser and its appraising staff, accountants, lawyers or securities underwriters shall comply with the following requirements:
- I. Having not been sentenced to fixed-term imprisonment of more than one year for violating the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, and the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery or business crimes. However, this restriction shall not apply if three years have passed after the completion of execution or expiration of probation or after a pardon.
 - II. Not a related party of or having a substantial relationship with the transaction counterparty.
 - III. If the Company should obtain the appraisal reports of two or more professional appraisers, the different appraisers or appraising staff shall not be related to each other or have a substantial relationship with each other.
- When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-discipline norms of their trade associations and the following matters:
- I. Carefully evaluate its own professional ability, practical experience and independence before undertaking a case.
 - II. When executing cases, appropriate operating procedures should be properly planned and implemented to form conclusions and issue a report or opinion; the procedures, information collected and conclusions shall be detailed in the working paper of the case.
 - III. The appropriateness and rationality of the data sources, parameters and information used shall be evaluated item by item as the basis for issuing the appraisal report or opinion.
 - IV. The statement shall include the professional and independent nature of the relevant personnel, and that the information used in the evaluation is appropriate and reasonable and in compliance with relevant laws and regulations.
- Article 7: Evaluation procedure
- I. Acquisition or disposal of securities that are not traded in a centralized trading market or a securities firm's business premises shall be negotiated in consideration of their net value per share, profitability, future development potential, market interest rates, bond coupon rates, debtors' credit and current transaction prices.
 - II. The price for acquisition or disposal of securities that have been traded in the centralized trading market or the business premises of securities firms shall be determined based on the prevailing equity or bond prices.
 - III. To acquire or dispose of the other assets mentioned in the preceding two paragraphs, a method shall be selected from inquiry, price comparison, price negotiation and public bidding, with reference to the current value of the publicly announced current value, current assessed value, the actual transaction price of neighboring real estate and equipment, etc. For those which meet the announcement and declaration requirements of the procedures, the valuation report of a professional appraiser shall be referred to.
- Article 8: Asset acquisition or disposal procedures
- I. All asset acquisition or disposal shall be handled only after being approved in accordance with the "Authorization Level for Requisition and Purchase." Real estate or other fixed assets shall be handled in accordance with the fixed asset circulation procedure of the internal control system of the Company.
 - II. To acquire or dispose of assets, the undertaking unit shall assess the reasons for the proposed acquisition or disposal, the subject matter, the counterparty of the transaction, the transfer price, the conditions of receipt and payment, and the price reference basis, etc., and then a decision shall be sought from the responsible unit, and the execution is carried out by the Management Department. Relevant matters are handled in accordance with the relevant

- operating regulations of the Company's internal control system and these Procedures.
- III. The execution unit of the Company's long- and short-term securities investment is the Finance Department, and the execution unit of real estate and fixed asset is the user department and related responsible units. Other assets that are not securities investment, real estate or fixed assets can only be acquired after evaluation by the relevant unit.
 - IV. The related insurance shall be purchased upon acquisition of any real estate.
 - V. The acquisition or disposal of assets shall be handled in accordance with the relevant regulations of the Company's internal control system. If any major violation is found, the relevant personnel shall be punished according to the violation situation.

Article 9: Authority of approval

For the acquisition or disposal of real estate, the Company shall refer to the announced present value, the appraised value, the actual transaction price of the adjacent real estate, final transaction conditions and transaction price, and file an analysis report to the President and Chairman. If the amount is less than NT\$30 million, it shall be submitted to the Chairman for approval and reported afterwards to the next board meeting for recordation; if the amount exceeds NT\$30 million, it shall be submitted to the board meeting for approval before implementation.

The acquisition or disposal of other fixed assets shall be made by inquiry, price comparison, price negotiation or bidding. If the amount is less than NT\$1 million (exclusive), it shall be approved by the President; if between NT\$1 million and NT\$5 million (inclusive), it shall be approved by the Vice Chairman; if more than NT\$5 million, it shall be approved by the Chairman; if more than NT\$20 million, it shall be submitted to the board meeting for approval before implementation.

For investment or disposal of long-term and short-term securities, if the amount is less than NT\$10 million, it may be approved by the Vice Chairman; if more than NT\$10 million, it shall be approved by the Chairman; if more than NT\$30 million, it shall be submitted to the board meeting for approval before implementation.

Article 10: For the Company's acquiring or disposing of real estate, equipment or its right-of-use assets, other than the transactions with domestic government agencies, commissioned construction of self-own land, commissioned construction of leased land, or acquisition or disposal of equipment or its right-of-use assets for business purposes, if the transaction amount reaches 20% of the paid-in capital of the Company or exceeds NT\$300 million, the Company shall obtain the appraisal report issued by a professional appraiser before the date of occurrence and comply with the following:

- I. If a limited price, specific price or special price is used as the reference basis for the transaction price due to special reasons, the transaction shall be submitted to the board meeting for resolution first; the same procedure shall be followed if the transaction conditions are changed later.
- II. If the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be invited to evaluate the transaction.
- III. In case of any of the following circumstances, except that the appraisal results of the assets obtained are higher than the transaction amount, or the appraisal results of the disposed assets are lower than the transaction amount, the accountant shall be requested to express a concrete opinion about the reasons for the difference and the fairness of the transaction price:
 - (I) The difference between the appraisal result and the transaction amount is more than 20% of the transaction amount.
 - (II) The difference between the appraisal results of two or more professional appraisers is more than 10% of the transaction amount.
- IV. The interval between the date of the professional appraiser's report and the establishment date of the contract shall not exceed three months. However, if the announced current value of the same period is applicable and the announcement date was less than six months ago, the original professional appraiser may issue a written opinion.

Article 11: Procedures for acquiring or disposing of securities investment

- I. The Company shall acquire or dispose of securities in accordance with the relevant operating regulations of the Company's internal control system and these procedures.
- II. When acquiring or disposing of securities, the latest audited and certified or checked financial statements of the target company shall be taken as the reference for evaluating the trading 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 an accountant for a fair opinion on the transaction price before the date of occurrence. However, this restriction does not apply if the securities are publicly quoted in an active market or there are other applicable requirements by the Financial Supervisory Commission.
- III. The Company shall not give up the rights issues of Innodisk USA Corporation, Innodisk Japan Corporation and Innodisk Global-M Corporation, and Innodisk Global-M Corporation

shall not give up the rights issue of Innodisk (Shenzhen) Corporation in future years. In the future, if the Company is required to abandon the rights issues or disposal of the above-mentioned companies due to strategic alliance considerations or other reasons approved by the Taipei Exchange, it shall be approved by a special resolution of the Company's board meeting.

If there is any amendment to these procedures, it should be entered in the significant information disclosure of the MOPS, and a letter shall be submitted to the Taipei Exchange for recordation.

Article 12: Procedures for handling related party transactions

I. If the Company acquires or disposes of assets from a substantive related party, in addition to the handling procedures set forth in Articles 10, 11 and 13, the Company shall handle the relevant resolution procedures and evaluate the rationality of the trading conditions in accordance with the following provisions. If the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report issued by a professional appraiser or an opinion of a CPA in accordance with the provisions of the preceding requirements. The calculation of the transaction amount in the preceding two articles shall be handled in accordance with the provisions of subparagraph 5, paragraph 1 of Article 19. The said one-year period is based on the date of the occurrence of the transaction, and is calculated retroactively for one year. The part for which an appraisal report of a professional appraiser or a CPA opinion is already obtained is exempted from being included in. In addition, when judging whether a counterparty is a related party, attention shall be paid to not just its legal form, but also the substantive relationship.

II. (I) When acquiring real estate or its right-of-use assets from a related party, the company shall assess the fairness of transaction costs according to the following methods:

1. The transaction price of the related party plus the necessary capital interest and the cost that the buyer should bear according to law. The interest cost of necessary funds referred to shall be calculated on the basis of the weighted average interest rate of the loan in the year the company purchases the assets, provided that it shall not be higher than the maximum interest rate of non-financial institutions as announced by the Ministry of Finance.

2. The total appraised value of the subject matter by the financial institution if the related party has set up a mortgage loan with the subject matter from a financial institution, provided that the financial institution's actual accumulated loan value for the subject matter shall be more than 70% of the total appraised value, and the loan period shall be more than one year. However, the above is not applicable if the financial institution and one of the parties to the transaction are related parties to each other.

(II) In the case of joint purchase or joint lease of the land and housing of the same subject matter, the transaction costs may be assessed by either of the methods listed in subparagraph 1 above.

(III) When the Company acquires real estate or its right-of-use assets from a related party, it shall evaluate the cost of the real estate or its right-of-use assets in accordance with the provisions of subparagraphs 1 and 2 above, and shall consult an accountant for review and a specific opinion.

(IV) When the Company acquires real estate or its right-of-use assets from a related party, in any of the following circumstances, the provisions of paragraph 3 of this Article shall be followed, and the provisions of subparagraphs 1, 2 and 3 of the paragraph above shall not apply:

1. The related party acquired real estate or its right-of-use assets by inheritance or gift.

2. The time when the related party acquired the real estate or its right-of-use assets was more than five years ago.

3. The real estate is acquired by signing a joint construction contract with the related party, or inviting the related party to build the real estate with local or leased land.

4. The right-of-use assets for business purpose is acquired between the Company and its subsidiary, or between its subsidiaries in which the Company directly or indirectly holds 100% of their issued shares or total capital.

(V) When the Company acquires real estate from a related party, if the appraisal result is lower than the transaction price in accordance with the provisions of subparagraphs 1 and 2 of the paragraph, it shall be handled in accordance with paragraph 4 of this article. This restriction does not apply if objective evidence is provided and a specific fair opinion of a professional real estate appraiser or an accountant is obtained due to the following circumstances:

1. If the related party acquires plain land or leased land for redevelopment, relevant evidence may be provided to prove that it meets any of the following conditions:

(1) The plain land is evaluated according to the methods specified in subparagraphs 1 to

4, the building price is calculated at the construction cost of the related party plus a reasonable construction profit, and the sum exceeds the actual transaction price. The reasonable construction profit shall be the lower of the average gross operating profit rate of the construction department of the related party in the last three years, or the most recent gross profit rate of the construction industry announced by the Ministry of Finance.

- (2) The transaction cases of other floors of the same subject property or of other non-related parties in the adjacent area within one year have similar areas, and the transaction conditions after evaluation are equivalent according to the reasonable floor or area price difference based on real estate sales or leasing practices.
2. The Company provides evidence that the transaction conditions of the real estate purchased from the related party or the real estate right-of-use assets acquired by leasing are similar to those of other non-related party transactions in the adjacent area within one year.

The transaction cases in neighboring areas mentioned in 1. and 2. above shall be based on the principle that the transaction objects are on the same street or adjacent streets less than 500 meters away from the subject matter of the transaction, or the announced present values are similar; the above-mentioned similar areas shall be based on the principle that the areas of other non-related parties' transaction cases are not less than 50% of the area of the subject matter of the transaction; the above-mentioned one-year period shall be based on the date of occurrence of the acquisition of the real estate or its right-of-use assets, and retrospectively calculated for one year in the past.

III. Evaluation and Operation Procedures

When the Company acquires or disposes of real estate or its right-of-use assets from related parties, or acquires or disposes of assets other than real estate or its right-of-use assets with related parties, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the total assets or NT\$300 million, except the trading of domestic government bonds, bonds with repurchase or resale conditions, and the subscription to or redemption of money market funds issued by domestic securities investment trust enterprises, the following information shall be submitted to the Audit Committee for approval and then submitted to the board meeting for approval before the Company signs off the transaction contract and makes the payment.

- (I) The purpose, necessity and expected benefits of acquisition or disposal of the assets.
- (II) Reasons for selecting the related party as the trading counterparty.
- (III) For the acquisition of real estate or its right-of-use assets from a related party, evaluate the rationality of the predetermined trading conditions in accordance with the provisions of paragraph 2 of the article.
- (IV) The original acquisition date and price of the related party, and the trading counterparty and its relationship with the Company and the related party, etc.
- (V) A forecast statement of cash receipts and payments for each month of the next year from the beginning of the contract month, and an assessment of the necessity of the transaction and the rationality of the use of funds.
- (VI) The appraisal report issued by a professional appraiser or the opinion of an accountant is obtained in accordance with paragraph 1 of this article.
- (VII) Restrictions and other important agreements of this transaction.

Where the Company or its subsidiary that is not a domestic public company has a transaction referred to above and the transaction amount reaches 10% or more of the total assets of the Company, the Company shall submit the information listed above to the shareholders' meeting for approval before signing the transaction contract and making the payment. However, this restriction does not apply to transactions between the Company and its subsidiaries.

The calculation of the transaction amount in the preceding two articles shall be handled in accordance with the provisions of subparagraph 5, paragraph 1 of Article 19. The said one-year period is based on the date of the occurrence of the transaction, and is calculated retroactively for one year. The part which has been submitted to and approved by the shareholders' meeting or the Audit Committee and then approved by the board meeting is exempted from being included.

If the Company engages in the following transactions with its subsidiary or a company of which its subsidiary directly or indirectly holds 100% of the issued shares or total capital, the board meeting may authorize the Chairman of the board of directors to make a decision within a certain amount in accordance with Article 9, and then submit it to the latest board meeting for ratification:

- (I) Acquisition or disposal of equipment or its right-of-use assets for business use.
- (II) Acquisition or disposal of real estate or its right-of-use assets for business use.

IV. Assessment of the Fairness of Transaction Costs

When the Company acquires real estate or its right-of-use assets from a related party, if the appraisal result is lower than the transaction price in accordance with the provisions of paragraph 2 of this article, then the following shall be handled:

- (I) The Company shall, in accordance with the provisions of paragraph 1, Article 41 of the Securities and Exchange Act, set aside a special reserve for the difference between the transaction price of the real estate or its right-of-use assets and the appraised cost. The special reserve shall not be distributed or converted into rights offering. If the investor who adopts the equity method to evaluate its investment in the Company is a public company, it shall also set aside a special reserve for the allocated amount based on the shareholding ratio in accordance with paragraph 1 of Article 41 of the Securities and Exchange Act.
- (II) The Audit Committee shall handle the case in accordance with Article 218 of the Company Act.
- (III) The handling situation in subparagraphs 1 and 2 of the paragraph shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.

If the Company has set aside a special reserve in accordance with the aforementioned provisions, the special reserve may be used with the consent of the FSC only after a falling price loss has been recognized for the assets purchased or leased at a high price, or such assets have been disposed of, or the lease has been terminated, or appropriate compensation is made, or such assets have been restored to the original state, or there are other evidence confirming that the price is no unreasonable.

If the Company acquires real estate or its right-of-use assets from a related party, and there is other evidence showing that the transaction is not in accordance with regular business practices, it shall also be handled in accordance with the two paragraphs above.

Article 13: Procedures for acquisition or disposing of membership cards or intangible assets

Other than dealing with domestic government agencies, if the transaction amount of intangible assets or its right-of-use assets or membership cards acquired or disposed of by the company reaches 20% of the company's paid-in capital or NT\$300 million or more, the Company shall, before the date of occurrence, consult the accountant to express an opinion on the fairness of the transaction price.

Article 14: Where the Company acquires or disposes of assets through court auction procedures, the supporting documents issued by the court may substitute the appraisal report or CPA's opinion.

Article 15: Procedures for acquiring or disposing of derivatives

I. Transaction types

When the Company is engaged in derivatives trading, the types of transaction are limited to forward foreign exchange of foreign currency and derivatives with options.

II. Risk Hedging Strategy

The foreign exchange operations carried out through the products mentioned in paragraph 1 are only to avoid the exchange risk in working and financing; the Company shall not engage in any speculative transactions, and the currencies held must be consistent with the foreign currency demand of the Company's actual import and export transactions.

III. Division of Powers and Responsibilities

The Finance Department is responsible for the formulation and implementation of policies related to derivative trading, as well as the regular evaluation and report of holding positions; the board meeting shall designate a senior executive responsible for the measurement, supervision and control of relevant risks.

IV. Performance Evaluation and Measurement

(I) Hedging-purpose operation: The Finance Department shall evaluate the positions held at least twice a month, and provide the evaluation report to the senior manager.

(II) Financial-purpose operation: The Company does not engage in financial operation.

V. Total Contract Amount

(I) Hedging operation: The total contract amount for the avoidance of foreign exchange risk shall not exceed the total import and export amount of the current year.

(II) Financial operation: The Company does not engage in financial operation.

VI. Maximum amount of loss for All and Individual Contracts

The maximum loss amount of all contracts for derivative trading is US\$250,000; the maximum loss amount of an individual contract is 5% of the individual contract amount and shall not exceed US\$250,000.

VII. Authorized Amount, Level and Executing Unit

The Finance Department shall select the financial institution offering better conditions, sign a credit line contract with it after submitting it to the President and the Chairman for approval, and engage in derivative trading within the credit limit according to the nature of derivatives trading. If the nature of the transaction does not require the use of the credit line, it shall be handled in accordance with paragraph 5 of this article. If the transaction amount is less than NT\$10 million, it shall be approved by the Vice Chairman; if more

than NT\$10 million, it shall be approved by the Chairman; if more than NT\$30 million, it shall be submitted to the board meeting for approval before implementation.

VIII. Operating Procedures

- (I) The authorized trading personnel shall place orders with the bank by telephone, fill in the "Application Form for Forward Exchange Pre-sale" indicating the transaction name, transaction amount, period, fee and trading counterparty and submit it to the senior executive designated by the board meeting for signature and approval.
- (II) After receiving the confirmation email from the bank, the confirmation personnel shall immediately confirm the transaction content with the trading counterparty by telephone or email. If any defects are found, immediately clarify with the trading personnel.
- (III) After confirmation by the confirmation personnel, the settlement personnel shall handle settlement matters according to the "Application Form for Forward Exchange Pre-sale."
- (IV) Accounting personnel shall produce accounting entries and vouchers according to relevant transaction vouchers, and complete accounting records.
- (V) When engaging in derivatives trading, the Company shall establish a reference book, which shall record in detail the type and amount of derivatives trading, the date of approval by the board meeting and the matters that should be carefully evaluated in accordance with the regulations.

IX. Accounting Treatment

- (I) The Finance Department shall immediately hand over the cash receipts and payments arising from foreign exchange operations to the Accounting Department for entry.
- (II) Except as provided in these Procedures, the accounting treatment of derivative transactions of the Company shall be handled in accordance with the relevant provisions of the accounting system.

X. Internal Control

- (I) Personnel engaged in derivative trading, confirmation and settlement shall not concurrently serve each other's function.
- (II) Scope of risk management:
 1. Credit risk: The trading counterparty shall be an internationally renowned bank with good debt and credit ratings.
 2. Market risk: The Company shall focus on financial products generally traded internationally, and reduce the use of specially designed products.
 3. Liquidity risk: select banks with large trading volume and strong quotation ability.
 4. Operational risk: Operate in accordance with the transaction procedures to avoid operational risk.
 5. Legal risk: The documents signed with the trading counterparty shall be general contracts in the market, and any unique contract must be inspected by the Legal Department or lawyer.
 6. Cash flow risk: In order to ensure the stability of the Company's working capital turnover, the source of funds is limited to its own funds, with the capital demand predicted by future cash receipts and payments as the basis.
- (III) The risk measurement, supervision and control personnel shall belong to different departments from the personnel in subparagraph 1 of this paragraph, and shall report to the board meeting or senior executives who are not responsible for trading or position decision-making.
- (IV) The derivative position held shall be evaluated at least once a week, but if it is a hedging transaction for business needs, it shall be evaluated at least twice a month, and the evaluation report shall be submitted to the senior executive authorized by the board meeting.
- (V) The senior executive authorized by the board meeting shall pay attention to the supervision and control of derivative trading risks at any time, and regularly evaluate whether the performance of derivative trading is in line with the established business policies and whether the risks undertaken are within the allowable range of the Company. In addition, he shall regularly evaluate whether the currently used risk management procedures are appropriate, and strictly follow relevant provisions of these Procedures.
- (VI) The senior executive authorized by the board meeting shall supervise the trading and profit and loss situation. If any abnormality is found, he shall take necessary countermeasures and immediately report to the board meeting. If independent directors have been established, the board meeting shall have independent directors present and express their opinions.

- (VII) Where relevant personnel are authorized to handle various derivative transactions in accordance with these Procedures, it shall be reported to the next board meeting afterwards.

XI. Internal Control

Internal auditors shall regularly understand the appropriateness of the internal control of derivative trading, and monthly audit the compliance of the financial planning team with the procedures for dealing with derivative trading, analyze the trading cycle and prepare an audit report accordingly. If any major violation is found, they shall notify the Audit Committee in writing and punish the relevant personnel according to the violation.

XII. Announcement and Declaration

After the derivative transaction is completed and confirmed by the transaction confirmation personnel, it shall be handled in accordance with relevant regulations. In addition, the Company shall enter the derivative transactions of its own and its subsidiaries which are not domestic public companies as of the end of the previous month, into the information reporting website designated by the FSC before the 10th day of each month in accordance with the prescribed format.

Article 16: Procedures for Merger, Division, Acquisition or Share Transfer

I. Evaluation and Operation Procedures

- (I) Before carrying out a merger, division, acquisition or share transfer, the Company shall, prior to the resolution of the board meeting, appoint accountants, lawyers or securities underwriters to express their opinions on the reasonableness of the share exchange ratio, the purchase price or the distribution of cash or other property to shareholders, and submit them to the board meeting for discussion and approval. However, the Company may be exempted from obtaining reasonableness opinions issued by the previous experts in the case of a merger of its subsidiary in which the Company directly or indirectly holds 100% of the issued shares or total capital, or a merger between its subsidiaries in which the Company directly or indirectly holds 100% of their issued shares or total capital.
- (II) The Company shall prepare a public document to the shareholders prior to the shareholders' meeting on the important contents and relevant matters of the merger, division or acquisition, and deliver the expert opinion in subparagraph 1, paragraph 1 of this article together with the notice of the shareholders' meeting to the shareholders as a reference for whether to agree to the merger, division or acquisition. However, this restriction does not apply where the convening of a shareholders' meeting to resolve matters of a merger, division or acquisition may be waived in accordance with other laws and regulations. In addition, for the companies participating in the merger, division or acquisition, if the shareholders' meeting of either party cannot be held, a resolution cannot be made, or the proposal is rejected by the shareholders' meeting due to insufficient attendance, voting rights or other legal restrictions, the company participating in the merger, division or acquisition shall immediately publicly explain the reasons for the occurrence, subsequent handling procedures and the expected date of the shareholders' meeting.
- (III) All personnel who participate in or are aware of the Company's merger, division, acquisition or share transfer plan shall issue a written confidentiality commitment. Before the information is made public, they shall not disclose the contents of the plan, nor shall they buy or sell the shares and other equity securities of all companies related to the merger, division, acquisition or share transfer either in their own names or in the name of others.

II. Other Matters to Be Noted

Unless otherwise provided by laws or there are special factors that are reported to and approved by the FSC in advance, the Company shall convene the board meeting and shareholders' meeting on the same day to resolve matters related to a merger, division or acquisition. Unless otherwise provided by laws or there are special factors which are reported to and approved by the FSC in advance, the other companies participating in the transfer of shares shall convene a board meeting on the same day.

When the Company participates in a merger, division, acquisition or share transfer, it shall make a complete written record of the following information and keep it for five years for reference.

- (I) Basic information of personnel: including the title, name and ID card number (passport number in case of foreigners) of all persons involved in the merger, division, acquisition or share transfer plan or the implementation of the plan before the disclosure of the information.

- (II) Date of important matters: including the date of signing the letter of intent or memorandum, entrusting financial or legal counsel, signing the contract and the board meeting.
- (III) Important documents and minutes: including the merger, division, acquisition or share transfer plan, letter of intent or memorandum, important contracts and minutes of the board meeting.
- (IV) When the Company participates in a merger, division, acquisition or share transfer, it shall, within two days from the date when the resolution of the board meeting is made, report the information in subparagraphs 1 and 2 of this paragraph to the FSC via the Internet information system in the prescribed format for recordation.
- (V) Where a company participating in a merger, division, acquisition or share transfer of the Company is not listed or its shares are traded on the premises of a securities firm, the Company shall enter into an agreement with it and handle the case in accordance with the provisions of the first four subparagraphs of this paragraph.

Article 17: I. For the Company's participation in a merger, division, acquisition or share transfer, except for the following circumstances, the share conversion ratio or purchase price shall not be changed arbitrarily, and any changes shall be stipulated in the merger, division, acquisition or share transfer contract:

- (I) Issuing rights shares, convertible corporate bonds, free share allotment, issuing corporate bonds with stock options, special shares with stock options, stock options and other securities with an equity nature.
- (II) Acts that affect the Company's finances and businesses, such as disposing of major assets of the Company.
- (III) Occurrence of major disasters, major technological changes, etc. which affect the Company's shareholders' rights or securities price.
- (IV) Any party participating in the merger, division, acquisition or share transfer buys back treasury shares in accordance with the law.
- (V) Change in the number of entities or companies participating in the merger, division, acquisition, or share transfer.
- (VI) Other conditions which can be changed as stipulated in the contract and have been publicly disclosed.

The Company's merger, division, acquisition or share transfer contract shall specify relevant matters in accordance with the regulations to protect the rights and interests of participating companies.

II. For the merger, division, acquisition or share transfer in which the Company participates, the contract shall specify the rights and obligations of the companies participating in the merger, division, acquisition or share transfer, as well as the following:

- (I) Treatment of breach of contract.
- (II) Principles for dealing with securities with an equity nature issued by the company that has been eliminated or divided due to merger or repurchased treasury shares.
- (III) The number of treasury shares that the participating companies may buy back according to law and the principle for handling them after the base date of calculating the share conversion ratio.
- (IV) Treatment of changes in the number of participating entities or companies.
- (V) Expected plan execution progress and expected completion date.
- (VI) When the plan is not completed before the deadline, relevant processing procedures such as the scheduled date for the shareholders' meeting are to be held according to law.

III. If any of the companies participating in the merger, division, acquisition or share transfer plans to merge, divide, acquire or transfer shares with other companies after the information is made public, except that the number of participants has decreased and the shareholders' meeting has a resolution and authorized the board meeting to change the authority, this participating company may be exempted from convening the shareholders' meeting for a new resolution. In addition, the procedures or legal acts that have been completed in the original merger, division, acquisition or share transfer case shall be redone by all the participating companies.

IV. Where a company participating in the merger, division, acquisition or share transfer is not a public company, the Company shall enter into an agreement with it and handle the case in accordance with subparagraph 3, paragraph 1 of Article 16, paragraph 2 of Article 16 and paragraph 3 of this article.

Article 18: Subsidiaries of the Company shall comply with the following provisions:

I. The acquisition or disposal of assets by subsidiaries shall also be handled in accordance with

the provisions of the parent company.

II. Where a subsidiary is not a public company and the acquisition or disposal of assets meets the public announcement and declaration standards set out in the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies,” the parent company shall handle the public announcement and declaration on its behalf.

III. In the announcement and declaration standards for subsidiaries, the paid-in capital or total assets of the parent company shall prevail.

Article 19: Information disclosure procedures

I. Items to be declared and declaration standards

- (I) Acquisition or disposal of real estate or its right-of-use assets from related parties, or acquisition or disposal of other assets other than real estate or its right-of-use assets with related parties, and the transaction amount reaches 20% of the company’s paid-in capital, 10% of the total assets or NT\$300 million or more. However, this restriction does not apply to the trading of domestic government bonds, bonds with repurchase or resale conditions, and the subscription to or redemption of money market funds issued by domestic securities investment trust enterprises.
- (II) Merger, division, acquisition or share transfer.
- (III) Derivative trading, which reaches the loss limit of all or individual contracts specified in the prescribed handling procedures.
- (IV) Acquisition or disposal of equipment or its right-of-use assets for business use, where the transaction counterparty is not a related party, and the transaction amount is more than NT\$500 million.
- (V) The company obtains real estate by means of entrusted construction of its own land, entrusted construction of leased land, joint construction and sharing, and joint construction and sub-sale, where the trading counterparty is not a related party, and the company expects to invest more than NT\$500 million in the transaction.
- (VI) Any assets transaction, disposal of creditor’s rights by a financial institution or investment in mainland China other than those mentioned in the preceding five paragraphs, where the transaction amount reaches 20% of the company’s paid-in capital or NT\$300 million or more. However, the following cases shall not apply:
 1. Trading of domestic government bonds or foreign government bonds with a credit rating not lower than the sovereign rating of our country.
 2. Those who specialize in investment trading securities on the Taiwan Stock Exchange or at the business premises of securities firms, or subscribing to foreign government bonds or common corporate bonds or general financial bonds (excluding subordinated bonds) not involving equity issued in the primary market, or subscribing to or resell securities investment trust funds or futures trust funds, or subscribing to or reselling index investment securities; securities firms subscribing to securities in accordance with the regulations of the Taipei Exchange due to the needs of underwriting business or acting as recommending securities firms for emerging stock companies.
 3. Trading of bonds with repurchase or resale conditions, and subscription to or redemption of money market funds issued by domestic securities investment trust enterprises.
 4. Acquisition or disposal of equipment for business use, where the transaction counterparty is not a related party, and the transaction amount is less than NT\$500 million.
 5. The Company obtains real estate by means of entrusted construction of its own land, entrusted the construction of leased land, joint construction and sharing, and joint construction and sub-sale, where the trading counterparty is not a related party, and the Company expects to invest less than NT\$500 million in the transaction.
- (VII) The calculation method of the transaction amount in the first six subparagraphs of this paragraph is as follows, and the said one-year period is based on the date of the occurrence of the transaction, which is calculated retroactively one year backward, and the part that has been announced in accordance with the provisions of these procedures is exempt from inclusion.
 1. The amount of each transaction.
 2. The cumulative amount of transactions of acquisition or disposal of subjects of the same nature by the same counterparty within one year.
 3. The cumulative amount of acquisition or disposal (amount accumulated separately) of real estate of the same development plan or its right-of-use assets within one year.
 4. The cumulative amount of the same securities acquired or disposed of (amount accumulated separately) within one year.

II. Time Limit for Announcement and Declaration

If the Company acquires or disposes of assets that contain items to be announced as in the previous paragraph of this article, and the transaction amount reaches any of the announcement and declaration standards in this article, it shall file an announcement and declaration within two days from the day of the occurrence.

III. Announcement and Declaration Procedure

- (I) The Company shall submit relevant information to the website designated by the FSC for announcement and declaration.
- (II) The Company shall enter the derivative transactions as of the end of the previous month of its own and its subsidiaries which are not domestic public companies, into the information reporting website designated by the FSC before the 10th day of each month in accordance with the prescribed format.
- (III) If there are errors or omissions in the Company's declared items that should be amended in accordance with the regulations, all items should be declared again within two days from the date of awareness.
- (IV) When the Company acquires or disposes of assets, unless otherwise provided by law, it shall keep relevant contracts, minutes, reference books, appraisal reports, and opinions of accountants, lawyers or securities underwriters in the Company for at least five years.
- (V) After the Company announces and declares its transactions in accordance with the regulations in this article, it shall file an announcement and declaration of the relevant information of any of the following circumstances on the FSC's designated website within two days from the date of occurrence:
 1. The relevant contract originally signed for the transaction is changed, terminated or rescinded.
 2. The merger, division, acquisition or share transfer is not completed according to the schedule of the contract.
 3. The contents of the original declaration have been changed.

Article 20: Penalties

If relevant personnel violate these procedures or its provisions, they shall be dealt with in accordance with the relevant provisions of the Company.

Article 21: Implementation and Revision

The Company's "Procedures for Acquisition or Disposal of Assets" shall be approved by the Audit Committee, submitted to the board meeting for approval, and then submitted to the shareholders' meeting for approval. The same shall apply to the amendment. When submitting the "Procedures for Acquisition or Disposal of Assets" to the board meeting for discussion in accordance with the provisions above, the opinions of each independent director shall be fully considered, and the opinions and reasons for independent directors' consent or objection shall be included in the minutes of the meeting.

The Company has established an Audit Committee; when formulating or amending the Procedures for Acquisition or Disposal of Assets, the consent of more than half of all members of the Audit Committee shall be obtained, and submission to the board meeting for resolution is required.

If the matter in the preceding paragraph is not approved by more than half of the members of the Audit Committee, it may be 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 meeting.

All the members of the Audit Committee referred to in paragraph 2 and all the directors referred to in the preceding paragraph shall be the actual number of incumbents.

Article 22:

The Procedures were established on September 1, 2010.

1st revision was made on May 25, 2012.

2nd revision was made on December 17, 2012.

3rd revision was made on June 21, 2013.

4th revision was made on June 20, 2014.

5th revision was made on June 7, 2017.

6th revision was made on June 6, 2019.

7th revision was made on May 31, 2022.