

Channel Well Technology Co., Ltd.
Procedures for Acquisition or Disposal of Assets
Chapter 1 General Provisions

Article 1 Purpose:

In order to strengthen the assets management and implement information disclosure, these Regulations are hereby amended in accordance with Article 36-1 of the Securities and Exchange Act and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by the Financial Supervisory Commission (“FSC”). Any other matter not specified in these Regulations shall be handled in accordance with the relevant laws and regulations.

Article 2: The scope of assets and the definition of terms:

1. The term “assets” as used in these Regulations includes the following:
 - (1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 - (2) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
 - (3) Memberships.
 - (4) Patents, copyrights, trademarks, franchise rights, and other intangible assets..
 - (5) Right-of-use assets.
 - (6) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
 - (7) Derivatives.
 - (8) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
 - (9) Other major assets.
2. Terms used in these Regulations are defined as follows:
 - (1) Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
 - (2) Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
 - (3) Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 - (4) Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.

- (5) Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- (6) Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- (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.
- (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.
- (9) Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 3 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the industry code of respective association membership and the following:

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

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.
3. They shall undertake an item-by-item evaluation of the appropriateness, accuracy, 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.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and accurate, and that they have complied with applicable laws and regulations.

Chapter 2 Disposition Procedures

Section 1 Acquisition and Disposal of Assets

Article 4 Appraisal procedures:

The means of price determination and supporting reference materials for the Company's acquisition or disposal of assets shall be in accordance with the following provisions:

1. Investment of securities

The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.

2. Real property, equipment, or right-of-use assets thereof

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

- (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a

certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price :

- a. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - b. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
3. Intangible assets or right-of-use assets thereof, or memberships
- Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.
4. The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Chapter 3, Article 21, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
5. Other major assets
- Where the Company acquires or disposes of claims of financial institutions, derivatives, assets in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law, or other major assets, the Company shall collect the relevant price information of the transaction assets, and the transaction price shall be determined after the careful evaluations of the relevant laws and contracts.
6. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 5 Operating procedures:

1. Limit of investment amount
- In addition to acquiring assets for business use, the Company and its subsidiaries may also invest in the purchase of real property and right-of-use assets thereof or securities that are not for business use.
- (1) Total amount of real property and right-of-use assets thereof not for business use shall not exceed 50 percent of the net value of the Company's most recent financial statements. The subsidiaries shall comply with the "Regulations Governing the Acquisition and Disposal of Assets" set out by the Company.
 - (2) Total investment amount of securities shall not exceed the net value of the Company's most recent financial statements. The subsidiaries shall comply with the "Regulations Governing the Acquisition and Disposal of Assets" set out by the Company.

- (3) Except for the approval of the shareholders' meeting, the investment limit of individual securities shall not exceed 80 percent of the net value of the Company's most recent financial statements. The subsidiaries shall comply with the "Regulations Governing the Acquisition and Disposal of Assets" set out by the Company.

However, those who participate in the establishment of investments or serve as directors or supervisors, and intend to hold them for a long time, are not subject to (2) and (3) restrictions. In addition, if approved by the shareholders' meeting, there are no restrictions.

2. Authorization level

(1) Securities:

- A. The Board of Directors authorizes the Chairman to execute transactions within the limit of 20 percent of the Company's paid-in capital or NT\$300 million, and report the execution status to the Board of Directors afterwards. If it exceeds the above amount, it must be approved in advance by the resolution of the Board of Directors.
- B. If the acquisition or disposal of stocks, corporate bonds, or privately placed securities that are not traded on a centralized securities exchange market or TPEx, and the transaction amount meets the reporting standards, it shall be approved by the Board of Directors.
- C. If the purpose of acquisition or disposal is for short-term funding, within the limit of NT\$50,000,000 per transaction, the Chairman may authorize the General Manager to execute the transaction and report it to the Chairman for approval on the next day.

(2) Derivatives trading

- A. The Company engages in derivatives trading, and its approval authority is as follows:

| Authorized personnel | Amount per transaction | Accumulated authorized amount of undelivered positions |
|----------------------|--|---|
| Chairman | USD 5 million or more | USD 10 million or more |
| General manager | More than USD 1 million, but less than USD 5 million | More than USD 5 million, but USD 10 million (inclusive) or less |
| CFO | USD 1 million (inclusive) or less | USD 5 million (inclusive) or less |

- B. Derivatives transactions carried out under the aforesaid authorization shall be reported to the Board of Directors afterwards.

(3) Acquisition or disposal of real property or right-of-use assets thereof

- A. The acquisition or disposal is for business use:

- (a) If the amount of each transaction reaches 20 percent of the Company's paid-in capital or NT\$300 million (inclusive) or more, the transaction shall be submitted to the Board of Directors for approval.
- (b) If the amount of each transaction does not reach 20 percent of the Company's paid-in capital or NT\$300 million, the Board of Directors shall authorize the Chairman to conduct the transaction, and report the implementation to the Board of Directors afterwards.

- B. The acquisition or disposal is not for business use:

- (a) If the amount of each transaction reaches 10 percent of the Company's paid-in capital or NT\$100 million (inclusive) or more, the transaction shall be submitted to the Board of Directors for approval.
 - (b) If the amount of each transaction does not reach 10 percent of the Company's paid-in capital or NT\$100 million, the Board of Directors shall authorize the Chairman to conduct the transaction, and report the implementation to the Board of Directors afterwards.
 - C. With respect to the acquisition of real property or right-of-use assets thereof from a related party, the relevant information shall be prepared in accordance with the provisions of Section 2 of these Regulations and submitted to the Board of Directors for approval.
 - (4) Mergers, splits, acquisitions, and assignment of shares: The relevant procedures and information shall be handled in accordance with Section 4 of these Regulations. Mergers, splits and acquisitions shall be carried out after the resolution of the shareholders meeting, but shall be exempted according to other laws and regulations. In addition, the assignment of shares shall be made after the approval of the Board of Directors.
 - (5) Other: It should be handled in accordance with the operating procedures stipulated by the internal control system and the approval authority. If the transaction amount reaches the announcement and reporting standards, except for the acquisition or disposal of machinery equipment for business use, which may be submitted to the Board of Directors for ratification, the rest should be approved by the Board of Directors. If there is any circumstance stipulated in Article 185 of the Company Act, it shall be resolved by the shareholders' meeting in advance.
 - (6) Significant transactions of acquisition or disposal of assets shall be approved by the Audit Committee in accordance with relevant regulations, and shall be submitted to the Board of Directors for resolution.
3. Executive unit
- (1) Securities investment and derivatives trading: the financial department and senior executives authorized by the Chairman or the Board of Directors.
 - (2) The executive unit for real property and the right-of-use assets thereof shall be: the use department and relevant authorities.
 - (3) Merger, splits, acquisition or assignment of shares: the executive unit designated by the Chairman.
4. Transaction process
- Shall be handled in accordance with these Regulations and relevant laws and regulations as well as the relevant operating procedures of the Company's internal control system. In addition, the acquisition of real property or right-to-use assets thereof from a related party, derivatives trading, and the merger, splits, acquisition or assignment of shares shall be handled in accordance with the provisions of Sections 2 to 4 of these Regulations.
5. Other
- The acquisition or disposal of assets by the Company shall be approved by the Board of Directors in accordance with the prescribed procedures or other laws and regulations. If a director expresses an objection and has a record or written statement, the information of the director's objection shall be submitted to the Audit Committee. When the Company submits the acquisition or disposal of assets to the Board of Directors for discussion, it shall fully consider the opinion of each independent

director. If an independent director has any dissenting opinion or reservation, it shall be stated in the minutes of the Board of Directors meeting.

Section 2 Related Party Transactions

Article 6 Scope of application

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Chapter 2, Section 1, Article 4, item 4 herein.

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 7 Procedure of resolution

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been resolved by the Board of Directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 8 to Article 10.
4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 21, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the Audit Committee and approved by the Board of Directors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may delegate the chairman to decide such matters when the transaction is within NT\$300 million and have the decisions subsequently submitted to and ratified by the next

Board of Directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. Acquisition or disposal of real property right-of-use assets held for business use.

When a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

If the transaction amount made as listed in Paragraph 1 between the Company and any subsidiaries that are not domestic public companies reaches 10% or more of the Company's total assets, the Company shall submit all documents listed in Paragraph 1 to the shareholders' meeting for approval, and may proceed to enter into a transaction contract or make a payment. Provided, this shall not apply to the transactions between the Company and its subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in Paragraph 1 and the preceding paragraph shall be made in accordance with Chapter 3, Article 21, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the shareholders' meeting, audit committee and approved by the board of directors need not be counted toward the transaction amount.

Article 8 Procedures of evaluation (1)

The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 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 transaction counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.

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

Article 9 Procedures of evaluation (2)

When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 10. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

Article 10 Procedures of evaluation (3)

Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Articles 8 and 9 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the

Securities and Exchange Act (“the Act”) against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.

2. Independent Director members of the Audit Committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

The company that has set aside a special reserve under the preceding paragraph may 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 leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Section 3 Engaging in Derivatives Trading

Article 11 Trading principles and strategies

1. Type of derivatives traded:

The term “derivatives” as used in these Regulations refers to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, or other interests, such as forward contracts, options contracts, swap contracts, and compound contracts formed by combining the above commodities. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. The Company does not engage in other derivatives trading other than the above items.

2. Operating or hedging strategies:

The Company is engaged in derivatives trading. Based on the principle of avoiding risks, the trading commodities should be mainly used to avoid the risks arising from the Company's business operations. In addition, the counterparty of the transaction should also choose a financial institution that has business dealings with the Company as much as possible to avoid credit risk.

3. Segregation of duties

- (1) Financial department or executives designated by the Chairman: collect market information, make trend judgments and risk assessments, be familiar with financial products and their relevant regulations, operating skills, etc., and engage in transactions in accordance with the instructions and authorized positions of the competent supervisor to avoid market price fluctuations risk and regularly assess positions risk.

- (2) The accounting department regularly provides information on risk exposure positions, handles accounts and prepares financial statements in accordance with generally accepted accounting principles, and announces and reports in accordance with relevant laws and regulations.

- (3) Auditing department: Regularly assess whether derivatives trading comply with the

prescribed transaction process and whether the risks are within the tolerance range of the Company.

- (4) The Company engages in derivatives trading and authorizes relevant personnel to handle transactions in accordance with the prescribed procedures for dealing with derivatives trading, the relevant personnel shall report to the most recent Board of Directors afterwards.
4. Essentials of performance evaluation
 - (1) Hedge trades: The performance evaluation is based on the cost of exchange rate (interest) on the Company's book value and the profit or loss arising from the derivatives trading, it shall be evaluated at least twice per month. The performance shall be submitted to the senior executives authorized by the Board of Directors.
 - (2) Trading for designated purposes: The actual profit or loss is used as the basis for performance evaluation, at least once per week, and the performance shall be submitted to the senior executives authorized by the Board of Directors.
5. Limit of trading amount
 - (1) Hedge trades: The total contract amount shall not exceed 60 percent of the consolidated net sales revenue reported in the most recent quarter.
 - (2) Non hedge trades: The cumulative undelivered position shall not exceed USD 10 million. Before execution, traders shall submit a foreign exchange trend analysis report, which shall contain the foreign exchange market trend analysis and suggested operation methods, and can only be performed after approval.
6. The maximum loss limit on total trading and for individual contracts
 - (1) Hedge trades: After the position is made, the stop-loss point is established as follows to prevent excess losses.
 - A. The loss of a single transaction shall not exceed 20 percent of the trading contract amount.
 - B. The total amount of losses shall not exceed 10 percent of the total contract amount.
 - (2) Non hedge trades: After the position is made, the stop-loss point is established as follows to prevent excess losses.
 - A. The single contract loss shall not exceed 10 percent of the trading contract amount.
 - B. The total amount of all trading losses shall not exceed USD 300,000.

Article 12 Risk management measures

The company engaging in derivatives trading shall address the range of risk management and adopt the following risk management measures:

1. Consideration of credit risks: The selection of trading objects is based on the principle of financial institutions and futures commission merchants who have good reputation cooperating with the Company and can provide professional information.
2. Consideration of market risks: The possible losses arising from future market price fluctuations of derivatives are uncertain, so the stop-loss point setting shall be strictly adhered to after the position is made.
3. Consideration of liquidity risks: In order to ensure the liquidity of derivatives trading, trading institutions must have sufficient equipment, information and trading capabilities and be able to trade in any market.
4. Consideration of operational risks:
 - A. The limit amount authorized and operating procedures must be strictly followed to avoid operational risks.

- B. Traders and operators for confirmation and delivery shall not concurrently serve as each other. Risk measurement, supervision and control personnel shall belong to different departments, and shall report to the Board of Directors or to senior executives who are not responsible for transaction or position decision-making.
 - C. The positions held shall be evaluated at least once per week, but if the business needs to conduct hedge trading, it shall be evaluated at least twice a month, and submitted to senior executives authorized by the Board of Directors (Note: the senior executives shall be designated from the department that does not perform derivatives trading).
 - D. Personnel for trading confirmation shall reconcile or confirm with the correspondent bank regularly, and check at any time whether the total transaction amount exceeds the upper limit stipulated in these Regulations.
- 5. Consideration of legal risks: Any contract document signed with financial institutions should use international standard documents as much as possible to avoid legal risks.
 - 6. Consideration of commodity risk: Internal traders should have complete and correct professional knowledge about the derivatives trading in order to avoid losses caused by misuse of derivatives.
 - 7. Consideration of cash delivery risk: Authorized traders shall strictly abide by the regulations within the authorized limit, and shall pay attention to the Company's cash flow to ensure that there is sufficient cash payment at the time of delivery.

Article 13 Regular evaluation methods and the handling of irregular circumstances

- 1. Evaluate derivatives transactions on a monthly or weekly basis, and summarize the profit or loss and open positions of non-hedge trading for the month or week, and submit them to senior executives authorized by the Board of Directors for reference in management performance evaluations and risk measurements.
- 2. The senior executives designated by the Board of Directors of the Company shall always pay attention to the supervision and control of the risk of derivatives trading. The Board of Directors shall evaluate whether the performance of derivatives trading meets the established business strategy and whether the risks undertaken are within the acceptable tolerance.
- 3. The senior executives authorized by the Board of Directors shall manage derivative trading in accordance with the following principles:
 - (1) Regularly evaluate whether the risk management measures currently in use are appropriate and are practically handled in accordance with the “Regulations Governing the Acquisition and Disposal of Assets” set by the competent authority and the relevant provisions of these Regulations.
 - (2) Supervise the trading and profit or loss situation, and take necessary countermeasures when any abnormality is found, and report to the Board of Directors immediately. (Independent Directors shall present the Board of Directors meeting and express their opinions.)
- 4. The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, monthly or weekly periodic evaluation reports, and periodic assessments by the Board of Directors and senior executives authorized by the Board of Directors.

Article 14 Internal audit system

- 1. The company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for

engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, it shall be reported to the Chairman and the senior executive designated by the Board of Directors immediately and notify the Audit Committee in writing.

2. The auditors of the Company should include derivatives trading in the audit plan, and report the implementation of the previous year's annual audit plan to the Securities and Futures Bureau, FSC for reference before the end of February of the following year, and report the improvements of any abnormal event no later than the end of May of the following year.

Section 4 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

Article 15 Resolution procedures

1. The company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
2. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding Article when sending shareholders notification of the Shareholders Meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a Shareholders Meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the Shareholders Meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the Shareholders Meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

3. The Company participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and Shareholders Meeting on the day of the transaction with those participating companies to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC 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 with other participating companies.

The Company shall prepare a full written record of the following information and retain it for 5 years for reference:

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

memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.

- (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

The Company shall, within 2 days counting inclusively from the date of passage of a resolution by the Board of Directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

Article 16 Confidentiality commitment

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 17 Changes in share exchange ratio or acquisition price

The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, that affects the company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 18 Matters to be specified on the contract

The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 19 Change of participating companies

After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 20 Handling of a participating company is not a public company

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 15, Article 16 and Article 19.

Chapter 3 Public Disclosure of Information

Article 21 Public announcement and regulatory filing procedures

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. Where the asset types of equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - (1) For a public company whose paid-in capital is less than NTD 10 billion, the transaction amount reaches NT\$500 million or more.
 - (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. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.

6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - (1) Trading of domestic government bonds or a foreign government bond with a credit rating not lower than the sovereign rating of the ROC.
 - (2) Where done by professional investors – securities trading on securities exchanges or OTC markets, or subscription of foreign 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, or subscription and sellback of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
 - (3) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

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

“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 Regulations need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

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

Article 22 Other important matters

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

Chapter 4 Additional Provisions

Article 23 Publicly announcement of subsidiaries

Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by the Company's subsidiary that is not itself a public company in Taiwan shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 21, paragraph 1.

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

In the case of the 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 Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

Article 24 Control procedures for the acquisition and disposal of assets by subsidiaries:

1. The Company shall see to it that its subsidiaries adopt and implement the regulations governing the acquisition or disposal of assets in compliance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the competent authority and relevant operations of the internal control system. The subsidiaries shall comply with the Company's "Regulations Governing the Acquisition or Disposal of Assets" if they do not have related regulations established.
2. If the subsidiary is not a public company in Taiwan, the formulation of related procedures shall be approved by the Board of Directors, the same applies when the procedures are amended. If the subsidiary is a public company, the formulation of related procedures shall be handled in accordance with the provisions of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies". The Company may assign internal auditors to audit operations on a regular or irregular basis and review their self-inspection reports in due course.
3. If a subsidiary of the Company is not a public company, and its acquisition or disposal of assets meets the standard for public announcement and report, it shall notify the Company within the day of occurrence, and the Company will make on the information reporting website designated in accordance with regulations.

Article 25 Penalties

When an relevant personnel of handling the Company's acquisition or disposal of assets violates the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by the competent authority or these Regulations, it shall be handled in accordance with the Company's personnel management regulations by submitting for an assessment, and be punished according to the severity of the circumstances. Violation records will be used as a reference for the annual individual performance

appraisal.

Article 26 Implementation and amendment procedures

These Regulations shall be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of one-half or more of all Audit Committee members as required is not obtained, the procedures may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting, and report to a Shareholders Meeting for approval; the same applies when the procedures are amended.

The term “all audit committee members” used in these Regulations and “all directors” mentioned in the preceding paragraph are calculated on the basis of actual incumbents.

These Regulations are established on December 20, 1999.

The first Amendment on April 9, 2001.

The second Amendment on July 24, 2001.

The third Amendment on February 14, 2003.

The fourth Amendment on August 26, 2007.

The fifth Amendment on March 6, 2009.

The sixth Amendment on March 29, 2012.

The seventh Amendment on June 20, 2014.

The eighth Amendment on November 7, 2014.

The ninth Amendment on June 10, 2015.

The tenth Amendment on June 22, 2016.

The eleventh Amendment on June 26, 2017.

The twelfth Amendment on June 27, 2018.

The thirteenth Amendment on June 27, 2019.

The fourteenth Amendment on June 29, 2022.