

# **Hotai Finance Co., Ltd.**

## **Handling Procedure for Acquisition or Disposal of Assets**

2026/5/28

### **Article 1 Purpose**

This Handling Procedure for Acquisition or Disposal of Assets (the "Handling Procedure") is stipulated for the purposes of asset protection and implementation of information disclosure.

### **Article 2 Legal Basis**

These Regulations are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act ("the Act").

### **Article 3 Scope of Assets**

1. Securities: means investment in stocks, government bonds, debentures, fund unit government bonds, debentures, fund unit warrants, beneficial securities, and asset-based securities, etc.
2. Real estates (including land, houses and buildings, investment property, and inventory of constructional industry) and equipment (not including leasing assets).
3. Membership.
4. Intangible assets: including intangible assets of patent, copyright, trademark, license, etc.
5. Right-of-use assets
6. Creditor's rights of financial institutions, including accounts receivable, foreign currency buying, discount, lending, and nonperforming loans.
7. Derivatives.
8. Other assets acquired from or disposed of for merger, spin-off, or assignment of shares of other companies in accordance with related laws and regulations.
9. Other material assets.

Any transaction involving major assets shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

### **Article 4 Quantum on Acquisition of Real Estates and right-of-use assets thereof or of Securities Used for Non-Business Purposes**

Quantum on the acquisition of aforesaid assets by Hotai Finance Corporation (the "Company") and its respective affiliates is as below:

1. For real estates and right-of-use assets thereof used for non-business purpose, the amount shall not exceed 25% of the net asset value of the corresponding company in total;
2. The total investment in long-term and short-term securities shall not exceed the net worth of the Company (excluding the investment for holding purpose in industries).
3. The investment in particular security shall not exceed 30% of the net worth of the Company (excluding the investment for holding purpose in industries).

### **Article 5**

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies 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 unappeasable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange 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 appraisal reports or opinions, the aforementioned personnel shall follow the self-regulatory specifications of the respective trade associations to which they belong and the following rules:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When execute 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 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 reasonable and appropriate, and that they have complied with applicable laws and regulations.

## **Article 6 Handling Procedures for Acquisition or Disposal of Real Estates or Equipment or Right-of-use assets thereof**

### **1. Evaluation and Operation Procedures**

The acquisition or disposal of real estates or equipment or Right-of-use assets thereof by the company shall be conducted pursuant to the Property, plant and equipment cycle of the Internal Control System of the company.

### **2. Determination Procedures for the Transaction Terms and Authorized Quantum**

- (1) In acquiring or disposing real property or Right-of-use assets thereof, the transaction terms and price based on the current value published and assessed value of the property, as well as the prices of neighboring properties sold, actual rental transaction price, and present an analysis report to the general manager. Transactions of NT\$50 million (inclusive) or less shall be approved by the general manager; transactions over NT\$50 million and less than NT\$300 million (inclusive) shall be approved by the chairman of the Board; transactions over NT\$300 million shall be approved by the Board of Directors in advance.
- (2) The acquisition or disposal of equipment shall be made by either of the following ways: (1) price Inquiry; (2) price comparison; (3) price negotiation; or (4) bidding. For acquisition or disposal of equipment whose transactions of NT\$50 million (inclusive) or less, such transaction proposal shall be conducted in accordance with the Authorization Measures and shall submitted in regular sequence to the respective supervising persons for their approvals; transactions over NT\$50 million and less than NT\$300 million (inclusive) shall be approved by the chairman of the Board; transactions over NT\$300 million shall be approved by the Board of Directors in advance.
- (3) According to the Procedures or other applicable laws, the acquisition and disposition of real estates or equipment or Right-of-use assets thereof by the Company shall be approved by the audit committee and the Board of Directors.
- (4) When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors' express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.
- (5) Material asset transactions shall be approved by over 50% of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 4 and 5 of Article 15 of the Procedures shall apply.

### **3. Implementing Unit**

The acquisition or disposal of the real estates or equipment or Right-of-use assets thereof by the Company shall firstly apply for required approval procedures in accordance with the authorization provisions provided in Article 6-2 above, and then be implemented by the unit using such assets and Unit of Management.

### **4. Appraisal Report for the Real Estates, Equipment or Right-of-use assets thereof**

The Company shall, in the acquisition or disposition of real properties ,equipment or Right-of-use assets thereof, obtain an appraisal report issued by a professional appraisal firm if the transaction amount is at or exceeds 20% of the paid-in capital or NT\$300 million, except for transaction with a domestic government agency, building on own land, building on leased land, or the acquisition and/or disposition of business use machinery and equipment or Right-of-use assets thereof, and shall comply with the following rules:

- (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) If the transaction amount is NT\$ 1,000,000, or more, two or more professional appraisal institutions shall be retained to conduct an appraisal.
- (3) If any of the followings applies to the appraisal results of the professional appraiser, except that the appraised value is higher than the transaction amount or the appraisal result of the asset for disposition falls below the transaction amount, refer the case to a certified public accountant and express specific opinion as to the appropriateness of the transaction price.
  - i. If the difference between the appraisal of appraisal institutions and transaction amount is 20% or more.
  - ii. If the difference of appraisal between two or more professional appraisal institutions reaches 10% of transaction amount or more.
- (4) If the appraisal is conducted before the date of contract formation the date of submitting the report and the date of contract formation shall not exceed three months; provided, however, that if the Government Assessed Current Land Price of the same period is used and the assessment is not more than six months old the original professional appraisal institution may submit the opinion to supplement it.
- (5) In the case that the acquisition or disposal of the assets by the Company is transacted through court auction procedures, the Company may substitute the court certificate of auction for the appraisal report or accountant's opinion.

#### **Article 7 Handling Procedures for Acquisition or Disposal of Securities Investment**

##### **1. Evaluation and Operation Procedures**

The purchase and sale of long-term and short-term securities by the Company shall be conducted pursuant to the Investment Circulation Procedures of the Internal Control System of the Company.

##### **2. Determination Procedures for the Transaction Terms and Authorized Quantum**

- (1) As to the securities transaction transacted by way of centralized securities exchanges or over-the-counter exchanges (excluding government bond, short-term bills issued by reputable domestic bills financial firms, domestic bond funds, and domestic money market funds), it shall be determined by the department in charge pursuant to the market prices. For the transaction amount not exceeding NT\$50 million, such transaction proposal shall be approved by the chairman of the Board; for the transaction amount exceeding NT\$50 million, such transaction proposal shall be submitted to the Board for their approval prior to the transaction.
- (2) In making purchases or sales of securities that are not traded on a centralized market or over-the-counter market (excluding government bonds, short-term papers issued by renowned domestic financial instruments and services companies, domestic bond funds, and domestic money market funds), the Company shall obtain the most recent financial statements of the issuing company certified or reviewed by an auditor prior to the transaction and consider its earnings per share in evaluating the transaction price. Transactions of NT\$50 million (inclusive) or less shall be approved by the chairman of the Board; transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.
- (3) According to the Procedures or other applicable laws, acquisition and disposition of securities by the Company shall be approved by the audit committee and the Board of Directors.
- (4) When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors' express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.
- (5) Material asset transactions shall be approved by over 50% of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 4 and 5 of Article 15 of the Procedures shall apply.

##### **3. Implementing Unit**

The investment on the long-term and short-term securities by the Company shall firstly apply for required approvals in accordance with the authorization provisions provided in Article 7-2 above, and then be implemented by the Finance Unit.

##### **4. Obtaining Opinion from Professional**

- (1) For acquisition or disposition of securities with transaction value of at least 20 percent of the Company's paid-in capital, or NT\$300 million or more, the Company shall consult with an

auditor on the fairness of the transaction price prior to the date of occurrence of the event in the transaction. However, this requirement does not apply to securities publicly quoted in an active market or where it is otherwise provided by the Financial Supervisory Commission (“FSC”).

- (2) In the case that the acquisition or disposal of the assets by the Company is transacted through court auction procedures, the Company may substitute the court certificate of such auction for the appraisal report or accountant's opinion.

### **Article 8 Handling Procedures of Acquisition of Real Estates with Related Party**

1. The acquisition and disposition of assets by the Company with a related party shall follow relevant procedures in obtaining approvals and evaluating the fairness of transaction terms. Transactions in the value of 10 percent or more of the Company's total assets will also require appraisal reports from professional appraisers or auditor's opinions. Transaction value shall be calculated according to Article 9-1 of the Procedures. In considering whether counterparty to the transaction is a related party, both the legal form and the substance of the relationship between the parties shall be assessed.

#### **2. Evaluation and Operation Procedure**

Where the Company may acquire or dispose of real properties or Right-of-use assets thereof with a related party, or acquire or dispose of assets beyond real properties or Right of use asset thereof with a related party amounting to 20% of the paid-in capital, 10% of the total assets, or exceeding NT\$300 million, following materials shall be submitted to the audit committee for approval and adopted by resolution of the Board of Directors before entering into any transaction agreement and effect payment:

- (1) The purpose, necessity and expected profitability for such acquisition or disposition of real estates.
- (2) The reasons to select the related party to be the transaction counter party.
- (3) For the acquisition of real properties or Right-of-use assets thereof from related party, comply with number 3 of this article to assess if the terms and conditions for transaction are reasonable with related materials.
- (4) Original purchase date, price and transaction counter party by the related party and the relationship between the Company and such related party, as well as with the transaction counter party.
- (5) Table of projected monthly cash inflow and outflow for the year following the anticipated contract signing month, and an assessment opinion report concerning the necessity of the transaction and reasonableness of use of capital.
- (6) The appraisal report issued by a professional appraiser or the opinion of a certified public accountant as required in preceding paragraphs.
- (7) The restriction terms and other material agreements under this transaction.

When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors' express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board. Material asset transactions shall be approved by over 50% of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 4 and 5 of Article 15 of the Procedures shall apply. If the transaction amount the company and its non-domestic public offering subsidiaries reaches 10% or more of the Company's total assets, the Company shall submit the information listed in the preceding paragraph to the shareholders' meeting for approval before signing the transaction contract and making payment. Except for transactions between the Company, its parent company, or subsidiaries.

#### **3. Evaluation on the Reasonableness of the Transaction Cost**

- (1) Where the Company purchases real estates or Right-of-use assets thereof from a related party it shall conduct evaluation to ensure the reasonableness of the transaction cost in accordance with the following methods:
  - i. Based on the transaction price of the related party plus necessary fund interest and the cost to be borne by the buyer according to law. The "necessary fund interest cost" shall be imputed based on the weighted average interest rate of the fund borrowed by the Company in the year of purchase of the asset; provided that such interest rate shall not be more than the ceiling of loan interest rate of non-financial industry published by the Ministry of Finance.
  - ii. Based on the total assessed value for loan made by a financial institution if such object has been mortgaged to the financial institution for a loan; provided that the actual aggregate loan extended by the financial institution for the object shall reach 70% or

more of the total assessed value and the loan period is more than one year. However, this shall not apply if the financial institution and either party of the transaction are related persons.

- (2) Where both the land and building on the property in question are purchased or leased in one transaction, the cost of the real estates may be reached by respectively imputing or evaluating such land and building based on either method described in Article 8-3-(1) above.
- (3) When acquiring real estate or Right-of-use assets thereof from a related person , the Company shall comply with Article 8-3-(1) and (2) above to evaluate the transaction costs and shall seek a certifying certified public accountant to issue the material opinion per its further review.
- (4) If the evaluation results of the acquisition of real property or Right-of-use assets from a related party by the Company pursuant to Article 8- 3-(1) and (2) are both lower than the transaction price, the transaction shall be processed according to Article8-3-(5). However, the above shall not apply if any of the following circumstances occur and the Company is able to present objective evidence and obtain opinions from professional real property appraiser and auditor on whether the transaction costs are reasonable:
  - i. Where the related party purchased a piece of undeveloped land for construction, and the evidence provided by the public company meets one of the following conditions:
    - (i). The total value of the undeveloped land , imputed or evaluated based on the methods referred to in the preceding Paragraph, and the building, calculated based on the related party's construction cost plus reasonable construction profit, is more than the actual transaction price. The said "reasonable construction profit" shall be the average operating gross profit ratio of the construction department of the related party within the last 3 years or the most recent gross profit ratio of the construction industry published by the Ministry of Finance, whichever lower.
    - (ii). 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.
  - ii. Where a public 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.
- (5) In acquisition real property or obtaining real property right-of-use assets from a related party , if the evaluation reports made subject to Article 8-3-(1) and (2) are all lower than the transaction amount, the Company shall handle the following matters:
  - i. The Company shall allocate the difference between the real property transaction price and the imputed cost as special reserve in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Law, and shall not distribution of dividend or recapitalization. In addition , if the investor evaluating the investment in the company by equity method is a public company, it shall set aside a corresponding amount in proportion to its shareholding as special reserve in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Law.
  - ii. The audit committee of the Company shall handle the matter pursuant to Article 218 of the Articles of Incorporation.
  - iii. The Company shall be report handling conditions prescribed in the preceding two Items to the shareholders meeting and publish the detailed transaction content in the prospectus or financial report.

Subject to FSC approval, the Company and other public companies under subparagraph (1)

herein that have set aside a special reserve under the preceding paragraph may not utilize the special reserve until the assets purchased at a premium have been recognized as loss due to decline in market value, or have been disposed of, or adequate compensation has been made, or the original state has been restored, or there is evidence confirming that the transaction costs are reasonable.

- (6) If the Company's acquisition of real estate or obtaining real property right-of-use assets from related party conforms to either of the following conditions, it shall be handled subject to Article 8-1 and 8-2 regarding the Evaluation and Operation Procedure and shall not apply to the procedures as prescribed in Article 8-3-(1), (2) and (3) regarding Evaluation on the Reasonability of the Transaction Cost.
  - i. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
  - ii. 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.
  - iii. If the real property is acquired by signing a joint construction contract with the related party. The related party acquired the real estates by reason of inheritance of gift.
  - iv. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (7) If the acquisition of real property or obtaining real property right-of-use assets by the Company from a related party indicates any transaction irregularities, it shall follow the steps provided in Article 8-3-(5).

## **Article 9 Handling Procedure for the Acquisition or Disposal of Membership Certificates or Intangible Assets**

### **1. Evaluation and Operation Procedure**

The acquisition or disposal of membership certificates of intangible assets by the Company shall be conducted pursuant to the Property, plant and equipment cycle of the Internal Control System of the company.

### **2. Determination Procedures for the Transaction Terms and Authorized Quantum**

- (1) For the acquisition or disposal of membership certificates, an analysis report referencing fair market value to determine the transaction terms, conditions and transaction price shall be made and submitted to the chairman of the Board; the transactions of NT\$50 million (inclusive) or less shall be approved by the chairman of the Board; transactions more than NT\$50 million shall be approved by resolution of the Board of Directors in advance.
- (2) For the acquisition or disposal of intangible assets, an analysis report referencing professional's evaluation report or fair market value to determine the transaction terms, conditions and transaction price shall be made and submitted to the general manager. Transactions of NT\$50 million (inclusive) or less shall be approved by the general manager; transactions over NT\$50 million and less than NT\$300 million (inclusive) shall be approved by the chairman of the Board; transactions over NT\$300 million shall be approved by the Board of Directors in advance.
- (3) Where any acquisition or disposal of membership certificates or intangible assets by the Company that requires for the Board Meeting's approval in accordance with this Handling Procedure or other laws.
- (4) When a transaction involving the acquisition or disposition of assets is submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board.
- (5) Material asset transactions shall be approved by over 50% of all members of the audit committee and submitted to the Board of Directors for resolution. Paragraphs 4 and 5 of Article 15 of the Procedures shall apply.

### **3. Implementing Unit**

The acquisition or disposal of the membership certificates or intangible assets by the Company shall firstly apply for required approvals in accordance with the authorization provisions provided in Article 9-2 above and then be implemented by the using unit and Finance Unit or the responsible units.

### **4. Expert Opinion**

When the transaction amount of acquisition or disposal of membership certificate or intangible

assets reaches 20% of the Company's paid-in capital or exceeds NT\$300,000,000, the Company shall retain a certified public accountant to express specific opinion as to the appropriateness of the transaction price before the conduct of transaction is required.

#### **Article 9-1**

The calculation of transaction value under Articles 6, 7, 8, and 9 shall follow Article 13 of the Procedures. "Within the last year" shall mean one year preceding the date of occurrence of the event in this transaction. Except for related party transactions, items for which an appraisal report from a professional appraiser or an auditor's opinion have been obtained need not be counted towards the transaction value; in the case of related party transactions, items which have been approved by the audit committee and adopted by the Board of Directors and the shareholders' meeting need not be counted towards the transaction value.

#### **Article 10 Handling Procedure for the Acquisition or Disposal of Creditor' Rights of Financial Institution**

In principle, the Company shall not engage in any transaction regarding the acquisition or disposal of the creditor' rights of financial institution. Should the Company intend to engage in said transaction, the Company shall first submit its proposal to the Board for their approval. Upon obtaining the Board's approval, the Company shall stipulate the related Evaluation and Operation Procedure.

#### **Article 10-1 Procedure of Handling Derivatives**

The Company is engaged in derivative trade in accordance with the "Procedure for Derivative Trade" established by the Company.

#### **Article 11 Handling Procedure for Merger, Spin-off, Acquisition or Share Assignment**

##### **1. Evaluation and Operation Procedure**

- (1) Where the Company plans to engage in merger, spin-off, acquisition or Share assignment, it is advised that the Company shall retain an attorney, certified public accountant and underwriter to jointly discuss the compliance schedule and forms a special team to implement the compliance matters. In addition, the Company shall prior to the Board Meeting retains an attorney, certified public accountant and underwriter to express their opinion on the reasonableness of the share exchange ratio, acquisition price and cash or other assets distributed to the shareholders, and then submit such to the Board for their approval. However, a public company that conducts to merge a subsidiary or among subsidiaries which owns 100% directly or indirectly through holdings, shall not engage opinion form specialists.
- (2) Prior to the Shareholders' Meeting, the Company shall provide the shareholders with (1) a public letter to shareholders, which contains material agreements regarding such merger, spin-off, acquisition and other related issues, (2) opinion made by professionals as provided in Article 11-1-(1), and (3) the notice for the holding of Shareholders' Meeting for shareholders' reference in deciding whether they will agree or disagree with such merger, spin-off or acquisition; provided that this provision shall not apply if other laws prescribe that such merger, spin-off, acquisition needs not to hold a Shareholders' Meeting. In addition, if any of the companies joining the merger, spin-off or acquisition fails to hold Shareholders' Meeting or make resolution due to insufficient attendance, insufficient voting rights or other legal restriction, or the proposal is vetoed by the Shareholders' Meeting, the companies joining the merger, spin-off, or acquisition shall immediately explain to the public about the reasons of the events, follow-up handling procedure and expected date of next Shareholders' Meeting.

##### **2. Other Important Matters**

###### **(1) Dates of Board Meeting and Shareholders' Meeting**

The Board Meeting and Shareholders' Meeting shall be held on the same date for the determination of the merger, spin-off or acquisition and other related issues unless otherwise provided by other laws or the Company has obtained the prior approval of the FSC with special reasons. The company joining the share assignment shall, on the same day, hold the board Meeting unless otherwise provided by other laws or the company has obtained the prior approval of the FSC with special reasons.

Companies listed in the exchange or OTC market engaging in the merger, split up, acquisition, or acceptance of shares through assignment shall prepare the following materials into written record and retain such record for 5 years for inspection.

- i. Basic information of personnel: The occupation title, name, ID card Number (passport number for foreign nationals) of personnel participating in the merger, split up, acquisition, or assignment of shares program or the executor of program before the disclosure.

- ii. Important dates: The dates on which the statement of intent or memorandum is signed, retention of financial or legal consultation service, important agreement is signed, or the meeting of the Board.
  - iii. Essential documents and minutes of the meetings: The minutes of the meetings and related documents on the plans of merger, split up, acquisition or assignment of shares, statement of intent or memorandum, important agreements and minutes of Board meetings. Companies listed in the exchange or OTC market engaging in the merger, split up, acquisition, or acceptance of shares through assignment shall prepare the materials specified in 1 and 2 within 2 days after the resolution of the Board in session and declare with the FSC via the internet in the required format for record. Companies listed and not listed in the exchange or OTC market engaging in the merger, split up acquisition, or acceptance of shares through assignment shall enter into agreement and proceed to 3 and 4.
- (2) Promise for Pre-Disclosure Confidentiality
- All members joining the merger, spin-off, acquisition or share assignment shall sign a confidentiality declaration in writing, promising that before the information is disclosed to the public, he or she shall not (1) disclose the content of the plan; (2) purchase or sell any of shares (or other securities that has the nature of stock rights) in relation to this merger, spin-off, acquisition or share assignment, no matter in self name or other's name.
- (3) Principle for the Determination and Amendment of the Share Exchange Ratio and Acquisition Price
- All companies joining the merger spin-off acquisition or share assignment shall, prior to the holding of any board meeting of the joining companies, retain a certified public accountant, attorney or underwriter to express their opinion on the reasonability of the share exchange ratio, acquisition price, cash or other assets distributed to the shareholders and propose it to the shareholders' meeting. In principle, the share exchange ratio and acquisition price shall not be changed at will; provided that the contract has already provided that the share exchange ratio and acquisition price may be changed under certain conditions and said provision has been disclosed to the public. The share exchange ratio and acquisition price may be changed under the following conditions:
- i. Conducting of capital increase through contribution of cash, issuance of exchangeable bond, distribution of shares with compensation, issuance of bond with warrant, special shares with warrant, stock warrant certificate and other securities having the nature of stock right.
  - ii. Conducting any action that affects the financial and business situation of the Company such as disposal of the Company's substantial assets etc.
  - iii. Occurrence of any event that affects the shareholder's right or the price of the securities such as serious calamity material change in technology etc.. (iv) Adjustment for the purchase back of treasure shares by any of the companies joining the merger, spin-off, acquisition or share assignment.
  - iv. Change of the subject or number of the companies joining the merger, spin- off, acquisition or share assignment. or
  - v. The contract has already provided that the share exchange ratio and acquisition price may be changed under certain conditions and said provision has been disclosed to the public.
  - vi. Issues Required to be Stipulated in the Contract:
- (4) The provisions of the contract executed by the companies joining the merger, spin-off, acquisition or share assignment shall be made in accordance with Article 317-1 of the Company Law and Article 22 of the Business Mergers and Acquisitions Law. In addition, the following matters shall be provided in said contract:
- i. The handling for the breach of contract.
  - ii. The principle for the handling of the previously issued securities of stock right nature and the bought-back treasury stocks of the dissolved company after merger or the spun-off company.
  - iii. The amount of the treasure stocks that the joining companies is permitted to purchase back pursuant to related laws after the basis day for the calculation of share exchange ratio.
  - iv. The handling method for the change of subject or number of the companies joining the merger, spin-off, acquisition or share assignment.

- v. The implementation progress of the plan and the expected date of completion.
  - vi. Relevant handling procedure governing the delay of the completion of the plan such as the expected date for the holding of Shareholders' Meeting pursuant to the laws.
- (5) The change of number of the companies joining the merger, spin-off, acquisition or share assignment: After the information has been disclosed to the public, if any of the companies joining the merger, spin-off, acquisition or share assignment intends to conduct any merger, spin-off, acquisition or share assignment with any other company, the previously completed procedures or legal acts shall be re-conducted by the thereafter joining companies; provided that the number of the joining companies decreases and the Shareholders' Meeting has resolved to authorize the Board the right to amend then the Company may be released from the holding of Shareholders' Meeting to re-make resolution.
- (6) In the event that any of the companies joining the merger, spin-off, acquisition or share assignment is not public company, the Company shall sign an agreement with said company and manage this case in accordance with Article 11-2-(1), (2) and (5).

## **Article 12 Procedure for the Information Disclosure**

1. Items Required to be Disclosed to the Public and Reported to the Competent Authority, and the Principle Governing Said Disclosure and Report.
- If the acquisition or disposition of assets fall under any of the following categories, the Company shall submit relevant information on the website designated by FSC in the required format by type of transaction within two days as of 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% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
  - (2) Conduct merger, spin-off, acquisition or share assignment.
  - (3) Engage in the derivatives transaction and the loss occurred from it reaches the overall or respective contract loss maximum limits provided by related handling procedures.
  - (4) Where 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: (A) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more. (B) For a public company whose paid-in capital is NT\$10 billion or more, but less than NT\$50 billion, the transaction amount reaches NT\$1 billion or more. (C) For publicly listed companies with paid-up capital of NT\$50 billion or more, the transaction amount reaches 5% or more of the company's paid-up capital.
  - (5) Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million.
  - (6) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, 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.
  - (7) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the China area, whose transaction amount reaches 20% of the paid-in capital of the Company or exceed NT\$ 300,000,000 with exception to the following situations:
    - i. Trading of domestic government bonds or foreign bonds with credit rating not lower than Taiwan's sovereign rating.
    - ii. Purchase and sale of securities listed on domestic or overseas centralized securities exchanges or over-the-counter exchanges by professional investors.
    - iii. Purchase and sale of bonds with a call or put option or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. The term "within one year" means a one-year period calculated retrospectively from the day of

the actual occurrence of the transaction; any portion already reported is exempted from re-inclusion: The calculation method of the "transaction amount" provided in Article 12-1-(4) is as prescribed below and the term "within one year" means a one-year period calculated retrospectively from the day of the actual occurrence of the transaction; any portion already reported is exempted from re-inclusion:

- (1) The amount of each transaction.
- (2) The cumulative amount of the acquisition or disposition of the same type of assets with the same counterparty within the last 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 amount of acquisition or disposition of the same securities within the last year. The amount of acquisition and disposition of securities shall be calculated separately.

### 3. Filing Procedures

- (1) 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 2 days.
- (2) Where the Company conducts the acquisition or disposal of assets, it shall place the related contract, meeting minutes, record book, appraisal report and opinion issued by a certified public accountant, attorney or underwriter in the Company; said documents shall be kept for not less than five years unless otherwise provided by laws.
- (3) If any of the following is applicable after the Company has disclosed the transaction in compliance with the aforementioned requirement, the Company shall, within 2 days after the transactions, declare the content with the FSC at the designated website:
  - i. Amendment, termination or cancellation of the related contracts executed for the transaction; or
  - ii. The acquisition, spin-off, acquisition or share assignment is not completed in accordance with the expected schedule provided in the contract.
  - iii. There is change in the original content of disclosure.

### **Article 13 Obligations of the Subsidiary of the Company**

1. The subsidiary (the "Subsidiary") of the Company shall also stipulate "Handling Procedure for Acquisition or Disposal of Assets" pursuant to the Criteria for Handling Acquisition or Disposal of Assets by Public Companies.
2. Where the Subsidiary intends to acquire or dispose assets, it shall conduct said acquisition or disposal in accordance with the Company's internal by-laws and regulations.
3. In the case that the Subsidiary is not a public company, and the acquisition or disposal by the Subsidiary conforms to the disclosure and report standards provided in Article 12, the parent company shall handle the related disclosure and report matters on the Subsidiary's behalf.
4. "Amounting to 20% of the paid-in capital of the Company or 10% of the total assets" as referred to in the criteria for disclosure shall be based on the paid-in capital or total assets of the parent company.

### **Article 14 Punishment**

The Company shall conduct the acquisition and disposal of assets pursuant to this Handling Procedure. In the event of any material violation of this Handling Procedure, certain punishment shall be imposed on the related persons, depending on the degree of violation.

### **Article 15 Enforcement and Amendment**

The Procedures have been approved by the audit committee and adopted by the Board of Directors and shareholders meeting; the same approval process shall apply to any amendments to the Procedures. When the Procedures are submitted to the Company's Board of Directors for discussion, the opinions of independent directors shall be fully considered. If any of the independent directors' express dissent or reservation from the decision, their opinions shall be recorded in the meeting minutes of the Board. If the Company fails to obtain the approval of a majority of all members of the audit committee as provided in the first paragraph, the Procedures may be adopted by the approval of at least two-thirds of all members of the Board. The resolution of the audit committee shall be recorded in the meeting minutes of the Board.

As referred to in the preceding paragraph, "all members of the audit committee" shall mean the incumbent members of the audit committee, and "all members of the Board" shall mean the incumbent members of the Board of Directors.

### **Article 16 Supplementary Provision**

The relevant laws and regulations shall govern matters not expressly stated herein.