

# Procedure Governing the Acquisition and Disposal of Assets by Union Bank of Taiwan Co., Ltd.

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## Chapter I General Principles

- Article 1 The Company's acquisition or disposal of assets shall be conducted in accordance with this Procedure and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (hereinafter referred to as the "Regulations") promulgated by the Financial Supervisory Commission (hereinafter referred to as the "FSC").  
However, where otherwise provided by financial-related laws, such provisions shall prevail.
- Article 2 The term "assets" as used in this Procedure 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 securities, and asset-backed securities, etc.
  2. Real property (including land, houses and buildings, and investment property) and equipment.
  3. Membership certificates.
  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 non-performing loans).
  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.
- Article 3 Terms used in this Procedure are defined as follows:
1. Derivatives: Forward contracts, options contracts, futures contracts, leverage margin 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; combinations of the foregoing 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 lease contracts, or long-term purchase (sales) contracts.
  2. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with laws: Refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act, or other applicable laws, or through a transfer of shares from another company by issuing new shares in accordance with Article 156-3 of the Company Act (hereinafter "transfer of shares").

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 any other person duly authorized by law to engage in the 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, date of the board of directors' resolution, or any other date on which the counterparty and monetary amount of the transaction can be confirmed, whichever comes first, provided that for investments requiring the approval of the competent authority, the earlier of the above date or the date of receipt of such approval shall apply.
6. Mainland China area investment: Refers to investments or technical cooperation in the Mainland China area conducted in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area, as approved by the Ministry of Economic Affairs Investment Commission.
7. Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting businesses, futures commission merchants operating proprietary trading businesses, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are under the supervision of the competent financial authorities of their respective jurisdictions.
8. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities market regulated by the competent securities authorities of its jurisdiction.
9. Securities firm business premises: "Domestic securities firm business premises" refers to a place where a securities firm conducts over-the-counter transactions in accordance with the Regulations Governing the Places of Business of Securities Firms and the Facilities Therein; "foreign securities firm business premises" refers to a place of business at a financial institution that is regulated by the competent foreign securities authority and is permitted to conduct securities business.

## Chapter II Acquisition or Disposal of Assets

- Article 4 For the Company's acquisition or disposal of assets within the scope set forth in Article 2, except where separate appraisal and operating procedures have been established, the responsible department shall propose the appraisal method and operating procedures, submit them to the board of directors for approval, and then implement them. During a recess of the board, approval shall be obtained from the executive board of directors and subsequently reported to the board of directors for record. The appraisal and operating procedures referred to in the preceding paragraph shall include the following:
1. Appraisal procedures: Including the method of price determination and the supporting reference materials.
  2. Operating procedures: Including the amount and level of delegated authority, the responsible unit(s) for execution, and the transaction process.
- The total amount and limits for the Company's acquisition of real property and right-of-use assets not for business use shall be handled in accordance with the Banking Act and relevant regulations.

The total amount and limits for the Company's acquisition of marketable securities, as well as limits on individual securities, shall be handled in accordance with the "Bank's Investment Policy" and relevant regulations.

Transactions between the Company and its related parties, derivatives trading, and mergers, demergers, acquisitions, or transfer of shares shall, in addition to complying with Chapters III through V of this Procedure, also be conducted in accordance with the relevant operating rules.

The Company shall ensure that its subsidiaries establish and implement procedures for the acquisition or disposal of assets in accordance with the Regulations and shall control the acquisition or disposal of assets by subsidiaries in accordance with the "Bank's Supervisory and Control Guidelines for Subsidiaries."

#### Article 5

With respect to the Company's acquisition or disposal of assets that, under this Procedure or other applicable provisions, is subject to approval by the board of directors, if any director expresses dissent and such dissent is recorded or set forth in a written statement, the Company shall submit the director's dissenting opinion to the audit committee.

When a transaction involving the acquisition or disposal of assets is submitted to the board of directors for discussion pursuant to the preceding paragraph, the board shall give full consideration to the opinions of each independent director. If any independent director objects to or expresses reservations about the matter, such opinions shall be recorded in the minutes of the board of directors' meeting.

Any transaction involving major assets or derivatives shall be approved by more than one-half of all members of the audit committee and then submitted to the board of directors for resolution, and the provisions of Article 32, paragraphs 3 and 4 shall apply mutatis mutandis.

#### Article 6

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

1. Where, due to special circumstances, it is necessary to use a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall first be submitted to the board of directors for approval; the same procedure shall apply if 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 of the following circumstances applies with respect to the appraisal results from the professional appraiser, 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 provide a specific opinion on the reason for the discrepancy and the appropriateness of the transaction price:
  - (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

4. The date of the appraisal report issued by the professional appraiser and the contract execution date shall not be more than three months apart; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, the original professional appraiser may still issue an opinion.

Article 7 When the Company acquires or disposes of securities, it shall, prior to the date of occurrence of the event, obtain the most recent financial statements of the issuing company, certified or reviewed by a certified public accountant, as a reference for evaluating the transaction price. In addition, where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall, prior to the date of occurrence of the event, engage a certified public accountant to provide an opinion on the reasonableness of the transaction price. However, this requirement does not apply where the securities have publicly quoted prices in an active market or where otherwise provided by the regulations of the FSC.

Article 8 Where the Company acquires or disposes of intangible assets, right-of-use assets thereof, or membership certificates, and the transaction amount reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more, except for transactions with a domestic government agency, the Company shall, prior to the date of occurrence of the event, engage a certified public accountant to provide an opinion on the reasonableness of the transaction price.

Article 8-1 The calculation of the transaction amounts referred to in the preceding three articles shall be conducted in accordance with Article 28, paragraph 2 of this Procedure, and the term "within the preceding year" means the one-year period preceding the date of occurrence of the current transaction. Any portion for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained in accordance with these Regulations need not be included in the calculation.

Article 9 Professional appraisers and their appraisal personnel, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, along with the opinions of certified public accountants, attorneys, and underwriters, shall meet the following requirements:

1. They must not have previously received a final and unappealable sentence to imprisonment for a period of one year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, 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 an occupational crime. However, this restriction shall not apply if three years have passed since the completion of the sentence, the expiration of the probation period, or the receipt of a pardon.
2. They must not be a related party or a 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 personnel must 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 self-regulatory rules of the industry associations to which they belong and with the following provisions:

1. Before accepting a case, they shall prudently assess their professional competence, practical experience, and independence.

2. When conducting a case, they shall properly plan and execute appropriate working procedures in order to form a conclusion, which shall serve as the basis for issuing the report or opinion; the working procedures performed, data collected, and conclusions reached shall be fully and accurately recorded in the case working papers.
3. They shall evaluate, item by item, the appropriateness and reasonableness of the data sources, parameters, and information used, as the basis for preparing the appraisal report or opinion.
4. They shall issue a statement confirming that the personnel involved possess professional competence and independence, that the information used has been evaluated and found to be appropriate and reasonable, and that all relevant laws and regulations have been complied with.

Article 10 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documents issued by the court may be used in place of an appraisal report or a certified public accountant's opinion.

### **Chapter III Transactions with Related Parties**

Article 11 When the Company acquires or disposes of assets from or to a related party, in addition to complying with the relevant resolution procedures and evaluating the reasonableness of the transaction terms in accordance with this Procedure, 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 certified public accountant's opinion in accordance with the provisions of Chapter II of this Procedure.

The calculation of the transaction amount referred to in the preceding paragraph shall be conducted in accordance with Article 8-1 of this Procedure.

When determining whether a transaction counterparty is a related party, the Company shall consider not only the legal form but also the substance of the relationship.

Article 12 When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or 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 the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except for transactions involving the purchase or sale of domestic government bonds, bonds with repurchase or resale conditions, or the subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not enter into the transaction contract or make any payment until the following matters have been approved by more than one-half of all audit committee members, submitted to the board of directors for resolution, and approved by the board of directors:

1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.
2. The reason for selecting the related party as the transaction counterparty.
3. In the case of acquiring real property or right-of-use assets thereof from a related party, relevant information evaluating the reasonableness of the proposed transaction terms in accordance with Articles 13 and 14 of this Procedure.
4. The date and price at which the related party originally acquired the assets, the original transaction counterparty, and the relationship of that counterparty to the Company and the related party.

5. A monthly cash flow forecast for the year commencing from the anticipated contract signing month, together with an evaluation of the necessity of the transaction and the reasonableness of the use of funds.
6. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in accordance with the preceding article.
7. Restrictive covenants and other important terms and conditions of the transaction.

For the following types of transactions between the Company and its subsidiaries, the approval authority shall be handled in accordance with the Company's "Internal Approval Authority Chart for Accounting Affairs":

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 under paragraph 1 is submitted to the board of directors for discussion, the board shall give full consideration to the opinions of each independent director. If any independent director objects to or expresses reservations about the matter, such opinion shall be recorded in the minutes of the board of directors' meeting. If the transaction under paragraph 1 fails to receive the approval of more than one-half of all audit committee members, the provisions of Article 32, paragraphs 3 and 4 shall apply mutatis mutandis.

If the Company or a subsidiary that is not a domestic public company engages in a transaction set out in paragraph 1 and the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall submit all the items listed in paragraph 1 to the shareholders' meeting for approval before entering into the transaction contract and making any payment. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries, or between subsidiaries of the Company.

The calculation of the transaction amounts under paragraph 1 and the preceding paragraph shall be conducted in accordance with Article 28, paragraph 2. The term "within one year" shall be calculated retroactively for one year from the date of occurrence of the current transaction. Any portions that have already been submitted in accordance with this Procedure to the audit committee and approved by one-half or more of all members, and by the board of directors and the shareholders' meeting, shall be excluded from the calculation.

**Article 13** When the Company acquires real property or right-of-use assets thereof from a related party, it shall assess the reasonableness of the transaction cost using the following methods:

1. Based on the related party's transaction price plus necessary interest on funding and any costs to be duly borne by the Company. "Necessary interest on funding" shall be calculated using the weighted average interest rate on borrowings for the year in which the Company acquires the asset, provided that such rate shall not exceed the maximum lending rate for non-financial enterprises announced by the Ministry of Finance.
2. Based on the 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 that the actual cumulative amount loaned by the financial institution shall have reached 70 percent or more of the financial institution's appraised loan value of the property and the loan period shall have exceeded one year. However, this method shall not apply where the financial institution is a related party of either party to the transaction.

Where land and buildings are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the buildings may be

separately assessed using either of the methods described in the preceding paragraph. When the Company acquires real property or right-of-use assets thereof from a related party and assesses the cost in accordance with the preceding two paragraphs, it shall also engage a certified public accountant to review the appraisal and provide a specific opinion.

If any of the following circumstances apply when the Company acquires real property or right-of-use assets thereof from a related party, the acquisition shall be handled in accordance with Article 12, and the preceding three paragraphs shall 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 five years have elapsed between the date the related party signed the contract to obtain the real property or right-of-use assets thereof and the date of signing the current transaction.
3. The real property is acquired through a joint construction contract signed with the related party, or through engaging the related party to construct real property either on the Company's own land or on leased land.
4. The real property right-of-use assets for business use are acquired between the Company and its subsidiaries, or between subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital.

#### Article 14

When the results of the Company's appraisal conducted in accordance with paragraphs 1 and 2 of the preceding Article are all lower than the transaction price, the matter shall be handled in accordance with Article 15 of this Procedure. However, this requirement shall not apply if any of the following circumstances exists, objective evidence is provided, and specific opinions on the reasonableness of the transaction have been obtained from both a professional real property appraiser and a certified public accountant:

1. Where the related party acquires undeveloped land or leased land for construction and meets one of the following conditions:
  - (1) The undeveloped land is appraised in accordance with the methods set forth in the preceding Article, and the buildings are valued based on the related party's construction cost plus a reasonable construction profit, with the total exceeding the actual transaction price. The term "reasonable construction profit" shall mean the lower of the average gross operating profit margin of the related party's construction division over the most recent three years or the most recent gross profit margin for the construction industry as announced by the Ministry of Finance.
  - (2) Within the preceding year, there are transactions by unrelated parties involving other floors of the same property or properties in neighboring areas with similar publicly announced current values, where the floor area is similar and, after making reasonable adjustments for differences in floor level or location prices in line with standard market sale or leasing practices, the transaction terms are comparable.

2. Where the Company acquires real property or obtains real property right-of-use assets through leasing from a related party, and the transaction terms are supported by evidence showing they are comparable to those of unrelated-party transactions within the preceding year for properties in neighboring areas or with similar publicly announced current values and of similar size.

In the preceding paragraph, “transactions in neighboring areas” shall, in principle, refer to transactions involving properties located on the same or adjacent block and within 500 meters of the subject property, or properties with similar publicly announced current values. “Similar size” shall, in principle, mean that the property in the unrelated-party transaction has a floor area of no less than 50 percent of that of the subject property. “Within the preceding year” means the one-year period preceding the date of occurrence of the acquisition of the real property or the obtainment of the right-of-use assets thereof.

#### Article 15

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 the preceding two articles are all lower than the transaction price, the Company shall take the following actions:

1. A special reserve shall be set aside, in accordance with Article 41, paragraph 1 of the Securities and Exchange Act, for the difference between the transaction price of the real property or right-of-use assets and the appraised cost, and such reserve may not be distributed or used for capital increase or issuance of bonus shares. Where an investee company, accounted for under the equity method, is a public company, such special reserve shall also be set aside pro rata in proportion to the Company’s equity stake in the investee, in accordance with Article 41, paragraph 1 of the Securities and Exchange Act.
2. The independent director members of the audit committee shall handle the matter in accordance with Article 218 of the Company Act, mutatis mutandis.
3. The handling of the matters in the preceding two subparagraphs shall be reported to the shareholders’ meeting, and the details of the transaction shall be disclosed in the annual report and any prospectus.

The Company may not use any special reserve set aside under the preceding paragraph until the asset purchased or leased at a premium has been recognized as having incurred a loss or decline in market value, has been disposed of, the lease agreement has been terminated, adequate compensation has been made, the original condition has been restored, or there is other evidence confirming that the transaction was reasonable, and approval has been obtained from the Financial Supervisory Commission.

If there is other evidence indicating that the acquisition of real property or right-of-use assets thereof from a related party was not conducted under normal commercial terms, the Company shall handle the matter in accordance with the preceding two paragraphs.

### Chapter IV Engaging in Derivatives Trading

#### Article 16

When the Company engages in derivatives trading, it shall pay close attention to the control of the following important risk management and audit matters, and incorporate them into this Procedure:

1. Trading principles and strategies: Including the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, key points for performance evaluation, the total amount of derivatives contracts that may be traded, and the maximum loss limits for both the total amount of trading and for individual contracts.
2. Risk management measures.



3. Internal audit system.
4. Regular evaluation methods and procedures for handling irregular circumstances.

Article 17 When the Company engages in derivatives trading, it shall adopt the following risk management measures:

1. The scope of risk management shall include credit risk, market risk, liquidity risk, cash flow risk, operational risk, and legal risk.
2. Personnel engaged in derivatives trading shall not concurrently serve in related operations such as confirmation or settlement.
3. Personnel responsible for risk measurement, monitoring, and control shall be assigned to a different department from those mentioned in the preceding subparagraph, and shall report to the board of directors or to senior management personnel who have no responsibility for trading or position decision-making.
4. Derivatives trading positions shall be evaluated at least once per week; however, positions held for hedging purposes required by business needs shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
5. Other important risk management measures.

Article 18 When the Company engages in derivatives trading, the board of directors shall faithfully supervise and manage such trading in accordance with the following principles:

1. Designate senior management personnel to continuously monitor and control derivatives trading risks.
2. Periodically evaluate whether the performance of derivatives trading is consistent with the established operational strategy and whether the risks undertaken are within the Company's permissible tolerance limits.

Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate whether the current risk management measures are appropriate and ensure that they are implemented in compliance with these Regulations and the Company's Procedures for Engaging in Derivatives Trading.
2. Supervise the trading and profit/loss status, and when any irregularities are discovered, take the necessary corrective actions and immediately report to the board of directors; if the Company has independent directors, at least one independent director shall attend the meeting and express their opinion.

When the Company authorizes relevant personnel to conduct derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading, the matter shall be reported at the next meeting of the board of directors.

Article 19 When the Company engages in derivatives trading, it shall establish a logbook to record in detail the types and amounts of derivatives trading, the dates of approval by the board of directors, and the matters that are required to be carefully evaluated under subparagraph 4 of Article 17, subparagraph 2 of paragraph 1 of Article 18, and subparagraph 1 of paragraph 2 of Article 18.

The Company's internal audit personnel shall periodically assess the adequacy of the internal controls over derivatives trading, and shall conduct a monthly audit of the trading department's compliance with the Procedures for Engaging in Derivatives Trading, preparing an audit report accordingly. If any material violation is discovered, the independent directors and the audit committee shall be notified in writing.

## Chapter V Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

- Article 20 When the Company conducts a merger, demerger, acquisition, or transfer of shares, it shall, before convening the board of directors to resolve the matter, engage a certified public accountant, attorney, or securities underwriter to provide an opinion on the reasonableness of the share exchange ratio, acquisition price, or the distribution of cash or other property to shareholders, and submit such opinion to the board of directors for discussion and approval. However, this requirement to obtain an expert's opinion on reasonableness may be waived in the case of a merger between the Company and a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or total capital, or in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or total capital of each subsidiary.
- Article 21 When the Company participates in a merger, demerger, acquisition, or transfer of shares, it shall, prior to the convening of the shareholders' meeting, prepare a public report to shareholders setting out the important contractual terms and other relevant matters relating to the merger, demerger, or acquisition, and deliver it to the shareholders together with the expert opinions referred to in the preceding Article, along with the shareholders' meeting notice, to serve as a reference for deciding whether to approve the merger, demerger, or acquisition. However, this requirement shall not apply where, pursuant to other applicable laws, the merger, demerger, or acquisition may be carried out without a resolution of the shareholders' meeting. If, in the case referred to in the preceding paragraph, the shareholders' meeting cannot be convened or a resolution cannot be passed due to lack of a quorum, insufficient voting rights, or other legal restrictions, or if the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger, or acquisition shall immediately make a public announcement explaining the reasons for the failure, the follow-up measures to be taken, and the expected date of the next shareholders' meeting.
- Article 22 When the Company participates in a merger, demerger, or acquisition, it shall, unless otherwise provided by other laws or where extraordinary circumstances have been reported to and approved in advance by the FSC, convene a meeting of the board of directors and a shareholders' meeting on the same day as the other participating companies to resolve matters related to the merger, demerger, or acquisition. When the Company participates in a transfer of shares, it shall, unless otherwise provided by other laws or where extraordinary circumstances have been reported to and approved in advance by the FSC, convene a meeting of the board of directors on the same day as the other participating companies. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company whose shares are listed on a stock exchange or traded at an over-the-counter securities firm shall prepare complete written records of the following information and retain them for five years for review:
1. Basic information on personnel: Including the job titles, names, and national ID numbers (or passport numbers for foreign nationals) of all persons who, before the information was made public, participated in the planning or execution of the merger, demerger, acquisition, or share transfer plan.
  2. Dates of important events: Including the signing of a letter of intent or memorandum of understanding, engagement of a financial or legal advisor, signing of contracts, and dates of board of directors' meetings.

3. Important documents and meeting minutes: Including the merger, demerger, acquisition, or share transfer plan, the letter of intent or memorandum of understanding, major contracts, and minutes of board of directors' meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company whose shares are listed on a stock exchange or traded at an over-the-counter securities firm shall, within two days from (and including) the date of the board of directors' resolution, report the information stipulated in subparagraphs 1 and 2 above to the FSC to be recorded in the prescribed format and via the FSC's internet-based information system.

If any company participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on a stock exchange nor has its shares traded at an over-the-counter securities firm, the listed or OTC-traded company shall sign an agreement with such company requiring it to comply with the provisions of the preceding two paragraphs.

Article 23 The Company shall obtain a written confidentiality undertaking from every person participating in or having knowledge of the Company's plan for a merger, demerger, acquisition, or transfer of shares. Such persons 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 involved in the merger, demerger, acquisition, or transfer of shares.

Article 24 When the Company participates in a merger, demerger, acquisition, or transfer of shares, the share exchange ratio or acquisition price may not be arbitrarily changed, except under any of the following circumstances and where such changes are expressly stipulated in the merger, demerger, acquisition, or share transfer contract:

1. Conducting a cash capital increase, issuing convertible corporate bonds, distributing bonus shares, issuing corporate bonds with warrants, issuing preferred shares with warrants, issuing stock warrants, or issuing other equity-based securities.
2. Taking actions, such as disposing of major assets, that affect the Company's financial or business operations.
3. Occurrence of events, such as a major disaster or significant technological change, that affect shareholder equity or the market price of the Company's securities.
4. Adjustments made when any party to the merger, demerger, acquisition, or transfer of shares repurchases its own treasury stock in accordance with the law.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other conditions stipulated in the contract as subject to change and publicly disclosed.

Article 25 When the Company participates in a merger, demerger, acquisition, or transfer of shares, the contract shall specify the rights and obligations of all participating companies, as well as the following matters:

1. Handling of breach of contract.
2. Principles for handling equity-type securities previously issued, or treasury stock previously repurchased, by any company that is extinguished in a merger or that is demerged.
3. The quantity of treasury stock that participating companies may lawfully repurchase after the record date for calculating the share exchange ratio, and the principles for handling such repurchases.

4. The method for handling changes in the number of participating entities or companies.
5. The preliminary schedule for executing the plan and the anticipated completion date.
6. The scheduled date for convening the shareholders' meeting as required by law if the plan is not completed within the prescribed period, and the relevant handling procedures.

Article 26 When the Company participates in a merger, demerger, acquisition, or transfer of shares, if, after public disclosure of the information, any participating company intends to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies once again carry out 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 27 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall enter into an agreement with such non-public company requiring it to comply with the provisions of Articles 22 and 23 of this Procedure and the preceding article.

## **Chapter VI Public Disclosure of Information**

Article 28 When the Company acquires or disposes of assets under any of the following circumstances, the department responsible for filing shall, in accordance with the asset category and the format prescribed and announced by the FSC, make a public announcement and file the relevant information on the FSC-designated website within two days from (and including) 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 the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, provided that this shall not apply to trading of domestic government bonds, bonds under repurchase or resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Conducting a merger, demerger, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts as set out in the Company's Procedures for Engaging in Derivatives Trading.
4. Acquisition or disposal of equipment or right-of-use assets thereof held for business use, where the transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.
5. Acquisition of real property under arrangements such as engaging others to build on the Company's own land, engaging others to build on leased land, joint construction and allocation of units, joint construction and allocation of ownership percentages, or joint construction and separate sale, where the transaction counterparty is not a related party, and the planned investment amount reaches NT\$500 million or more.

6. Asset transactions other than those referred to in the preceding five subparagraphs, disposal of receivables by the Company, or investment in the mainland China area where the transaction amount reaches 20 percent or more of the Company's paid-in capital or NT\$300 million or more; provided, this shall not apply under the following circumstances:
  - (1) Trading of domestic government bonds or foreign government bonds with a credit rating not lower than Taiwan's sovereign rating.
  - (2) Where conducted by professional investors: securities trading on securities exchanges or at over-the-counter securities forms, subscription in the primary market of foreign government bonds, ordinary corporate bonds, or general bank debentures without equity characteristics (excluding subordinated debt), subscription or redemption of securities investment trust funds, exchange-traded notes, or futures trust funds, or subscription by a securities firm of securities as required for its underwriting business or as a recommending securities firm for an emerging stock company, in accordance with Taipei Exchange regulations.
  - (3) Trading of bonds under repurchase or resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The transaction amounts referred to in the preceding paragraph 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 counterparty within the preceding year.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals calculated separately) 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 calculated separately) of the same security within the preceding year.

The term "within the preceding year" as used in the preceding paragraph refers to the one-year period preceding the date of occurrence of the current transaction. Items that have been publicly announced in accordance with these Regulations need not be included in the calculation.

The Company shall compile monthly reports on all derivatives trading conducted by the Company, together with its subsidiaries that are not domestic public companies, up to the end of the preceding month, in the prescribed format, and input the information into the FSC-designated information reporting website by the 10th day of each month.

If, at the time of public announcement, any item required by these Regulations to be publicly announced contains an error or omission that requires correction, the Company shall make a complete re-announcement and filing of all items within two days from (and including) the date it becomes aware of such error or omission.

The Company shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and the opinions of certified public accountants, attorneys, or securities underwriters at the Company for a period of at least five years, unless otherwise provided by law.

- Article 29 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 two days from (and including) the date of the 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 VII Additional Provisions**

- Article 30 Where a subsidiary of the Company is not a domestically publicly listed company and information related to the acquisition or disposal of assets is required to be publicly announced and reported in accordance with the provisions of the preceding Chapter, the Company shall be responsible for the announcement and reporting. 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 28, paragraph 1. For the calculation of 10 percent of total assets under this Procedure, 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.
- Article 31 Any violation of this Procedure or of the relevant provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” shall be reviewed in accordance with the Company’s Guidelines for Handling Employee Rewards and Penalties.
- Article 32 This Procedure shall be implemented after being approved by at least one-half of all members of the audit committee, passed by the board of directors, and submitted to the shareholders’ meeting for approval; the same shall apply to any amendments. If any director expresses dissent and it is recorded in the minutes or stated in writing, the company shall submit the director’s dissenting opinion to the audit committee. When the Procedure is submitted to the board of directors for discussion pursuant to the preceding paragraph, full consideration shall be given to the opinions of each independent director. If an independent director objects to or expresses reservations about any matter, such opinion shall be recorded in the minutes of the board of directors’ meeting. If approval by one-half of all members of the audit committee as required in paragraph 1 is not obtained, the Procedure may be implemented if approved by two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors’ meeting. For purposes of this Procedure, the term “all members of the audit committee” and “all directors” shall be calculated based on the actual number of persons currently holding those positions.