

STANDARD FOODS CORPORATION

Procedures for Acquisition or Disposal of Assets

Amended and Adopted by Ordinary Resolution passed on June 13, 2019

Chapter I General Provisions

1. Purpose:

The Procedures for Acquisition or Disposal of Assets (hereinafter referred to as “the Procedures”) is formulated pursuant to Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the competent authority.

2. Applicable subjects:

- (i) Long-term and short-term investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- (ii) Real properties (including land, houses and buildings, investment property, land use rights, and construction enterprise inventory) and equipment.
- (iii) Memberships
- (iv) Patents, copyrights, trademarks, franchise rights, and other intangible assets
- (v) Right-of-use assets
- (vi) Derivatives: forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

- (vii) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares according to law: assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other laws, or transfer of shares from another company through issuance of new shares (hereinafter referred as "stock transfer") in accordance with the provisions of Paragraph 8 of Article 156 of the Company Act.
- (viii) Other major assets

3. Evaluation procedures:

- (i) The acquisition or disposal of investment in securities or engagement in derivatives trading by the Company shall be analyzed for relevant benefits and evaluated for any possible risks by the financial or accounting unit, while the acquisition or disposal of real properties and other assets shall be proposed by each respective unit with a capital expenditure plan prepared in advance, which shall be assessed for feasibility based on the purpose and expected benefits of the acquisition or disposal.
- (ii) For acquiring or disposing securities, the Company shall, prior to the date of occurrence of the event, obtain the latest financial statement of the object company audited or reviewed by a CPA to serve as reference for assessing the transaction price. For acquiring or disposing securities, private placement securities, memberships, or intangible assets that are not traded through a centralized securities exchange market or an OTC Center, and the transaction price reaches twenty percent (20%) of the Company's paid-in capital or more than NT\$300 million, opinions in respect of a rational transaction price should be sought from a CPA prior to the date of occurrence of the event, with the exception of transactions with the government. In case that CPAs need to make use of expert reports as evidence, they shall do so in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF), with the exception of securities that are openly quoted in an active market or otherwise regulated by the competent authority.
- (iii) In case that the transaction price for acquiring or disposing real

properties or equipment reaches twenty percent (20%) of the Company's paid-in capital or more than NT\$300 million, an appraisal report shall be provided by an objective and fair professional appraiser (a real estate appraiser or other professionals who are able to conduct real properties and equipment appraisal according to law). The Company shall receive the appraisal report prior to the date of occurrence of the event. Nevertheless, in the event that the Company acquires or disposes of assets through a court auction process, the certified documents issued by the court may be used to replace the appraisal report or opinions of the CPA. For real properties obtained from a related party, matters concerning the reasonability of transaction conditions shall be handled in accordance with the provisions of Chapter II of the Procedures.

- (iv) For conducting a merger, demerger, acquisition, or stock transfer plan, the Company, prior to convening a Board meeting to resolve on the proposal, shall invite CPAs, attorneys, or securities underwriters to give their opinions on the reasonability of the share exchange ratio, acquisition price, or distribution of cash or other properties to shareholders, and then submit the case to the Board of Directors for deliberation and adoption. Nevertheless, in the case that a merger occurs between the Company and a subsidiary in which the Company holds 100% of its issued shares or total capital or a merger occurs among subsidiaries in which the Company holds 100% of their issued shares or total capital, the opinions of the above experts on the reasonability may be exempted.
- (v) The means of price determination and references for acquisition or disposal of assets by the Company, apart from acquiring professional opinions from professional appraisers or CPAs according to the provisions as described in preceding paragraphs, shall be handled based on the following situations:
 - (a) For acquisition or disposal of securities that are traded through a centralized securities exchange market or an OTC Center, the decision shall be made based on the price of equity or securities at the time.
 - (b) For acquisition or disposal of securities that are not traded through a centralized securities exchange market or an OTC Center, the decision shall be made in consideration of the profitability, future development potential, market interest rate,

and coupon rate of the securities, as well as the credit of debtors, making reference to the latest deal price.

- (c) For acquisition or disposal of memberships, the decision shall be made in consideration of the profitability, making reference to the latest deal price. For acquisition or disposal of intangible assets, such as patent rights, copyrights, trademark rights, and chartered rights, the decision shall be made in consideration of the international or market practices, useful life, and their impact on the Company's technologies and business.
- (d) For acquisition or disposal of real properties, the decision shall be made making reference to the assessed present value, evaluated present value, actual deal price of adjacent real estate, and book value of the real properties. In case that the Company is purchasing real properties from a related party, the deal shall be calculated in accordance with the provisions of Chapter II of the Procedures in order to assess the reasonability of the transaction price.
- (e) For derivatives trading, the decision shall be made making reference to the transaction status on the futures market, exchange rate, and interest rate trend.
- (f) For conducting a merger, demerger, acquisition, or stock transfer plan, factors such as nature of business, net asset value per share, asset value, technologies & profitability, production capacity, and future growth potential shall be considered.
- (vi) For acquisition or disposal of real properties, equipment, or other right-of-use assets by the Company, apart from transaction with a domestic government agency, entrusted construction on self-owned or leased land by the Company, or acquisition or disposal of equipment or right-of-use assets thereof held for business use, if the transaction amount reaches twenty percent (20%) of the Company's paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report from a professional appraiser prior to the date of occurrence of the event and comply with the following provisions:
 - (a) In case that it is necessary to use a limited price, specified price, or special price as a reference basis for the transaction price due to special circumstances, the transaction shall be submitted to the Board of Directors for approval in advance. The same applies in the case of any changes to the terms and conditions of the

transaction in the future.

- (b) In case that the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (c) Where any one of the following circumstances applies with respect to the appraisal results of the professional appraisers, unless all the appraisal results for assets to be acquired are higher than the transaction amount, or all the appraisal results for assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render specific opinions regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (1) The discrepancy between the appraisal result and the transaction amount reaches more than twenty percent (20%) of the transaction amount.
 - (2) The discrepancy between the appraisal results of two or more professional appraisers reaches more than ten percent (10%) of the transaction amount.
- (d) In case that the appraisal is conducted before the contract date, the time interval between the date of the appraisal report issued and the contract date shall not exceed three (3) months. Nevertheless, in the event that the appraisal is apt for the assessed present value of the same period and the time interval between the date of the appraisal report issued and the contract date does not exceed six (6) months, an opinion letter issued by the original professional appraiser will do.

4. Operating procedures:

- (i) Quota and level of authorization
 - (a) Derivatives trading
 - (1) Based on the Company's turnover and change of risk position, the Chairman of the Board shall designate a specific person to conduct transactions of which the single or cumulative deal position is less than NT\$ 50 million (incl.). As for transactions of which the single or cumulative deal

position is more than NT\$ 50 million, approval from the Chairman of the Board shall be obtained before they can be conducted.

- (2) In order to make the authorization of the Company in harmony with the corresponding supervision and management of the bank, the bank shall be notified of the authorized trader engaged in derivatives trading.
 - (3) Derivatives transactions conducted in accordance with the authorization process as described above shall be submitted to the next Boarding meeting for ratification.
 - (b) Acquiring real properties from a related party: Relevant materials shall be prepared in accordance with the provisions of Chapter II of the Procedures and submitted to the Board meeting for approval and the Audit Committee for recognition before proceeding further.
 - (c) Merger, demerger, acquisition, or stock transfer: Relevant materials shall be prepared and related procedures performed in accordance with the provisions of Chapter IV of the Procedures. For transactions involving a merger, demerger, or acquisition, a resolution of the shareholders' meeting shall be passed before proceeding further, with the exception of cases that may be exempt from a resolution of the shareholders' meeting according to other laws. For transactions involving stock transfer, approval from a Board meeting shall be obtained before proceeding further.
 - (d) Others: The General Manager of the Company is authorized to conduct transactions within the quota as described in Article 6 of the Procedures. In the event that the transaction amount reaches the reporting threshold as specified in Article 5 of the Procedures, apart from acquisition or disposal of machinery or equipment for business use, which may be ratified by the Board of Directors afterwards, all transactions shall be approved by the Board of Directors in advance.
- (ii) Execution unit and transaction process
- The execution unit for transactions of long-term/short-term securities investment and derivatives is the Accounting and Finance Department or personnel designated by the Chairman of the Board. The execution unit for transactions of real properties and other assets is the user

department or relevant accountability unit. The execution unit for transactions of a merger, demerger, acquisition, or stock transfer plan is the unit designated by the Chairman of the Board. For acquisition or disposal of assets, after proper evaluation and approval process according to regulations, the execution unit shall proceed with the trading process, such as contract negotiation, receipts and payments, delivery, and acceptance, and handle the transaction in accordance with related operating process specified in the internal control system depending on the nature of assets. For acquisition of real properties from a related party, derivatives trading, and a merger, demerger, acquisition, or stock transfer plan, the relevant transactions shall be handled in accordance with Chapters II ~ IV of the Procedures.

5. Announcement and reporting procedures:

- (i) For acquisition or disposal of assets, in case that the transaction falls into one of the following situations, the Company shall publicly announce and report the relevant information on the website designated by the competent authority within two days commencing immediately from the day of occurrence of such event:
 - (a) Acquisition or disposal of real properties or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real properties or right-of-use assets thereof from or to a related party where the transaction amount reaches twenty percent (20%) or more of the paid-in capital of the Company, ten percent (10%) or more of the Company's total assets, or NT\$300 million or more, provided, however, that this shall not apply to trading of domestic government bonds, bonds under repurchase/resale conditions, or subscription/redemption of money market funds issued by securities investment trust enterprises.
 - (b) The transaction involves a merger, demerger, acquisition, or stock transfer plan.
 - (c) The losses from derivatives trading reach the maximum amount for total or individual contracts set out in Paragraph 4, Article 13, Chapter III of the Procedures.
 - (d) The assets acquired or disposed belong to the equipment or right-of-use assets thereof for business use where the subject of transaction is not a related party and the transaction amount

meets any of the following criteria:

- (1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- (e) The real estate is acquired in the way of entrusted construction on self-owned land, entrusted construction on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sales; the subject of transaction is not a related party; and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.
- (f) Apart from transactions as described in the preceding five subparagraphs, any asset transaction, disposal of receivables by a financial institution, or investment in mainland China area, of which the transaction amount reaches twenty percent (20%) or more of the paid-in capital of the Company or NT\$300 million or more, provided, however, that this shall not apply to the following circumstances:
- (1) Trading of domestic government bonds
 - (2) Professional investors conducting securities trading in foreign or domestic securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the domestic primary market (excluding subordinated debt), or subscription or redemption of securities investment trust funds or futures trust funds.
 - (3) Trading of bonds under repurchase/resale conditions, or subscription or redemption of money market funds issued by securities investment trust enterprises.
- The transaction amount of the above deals shall be calculated as follows:
- The amount of any individual transaction.
 - The cumulative transaction amount of acquisition or disposal of objects of the same nature with the

same counterparty within one year.

- The cumulative transaction amount of acquisition or disposal (acquisition and disposal accumulated respectively) of real properties or right-of-use assets thereof in the same development project within one year.
- The cumulative transaction amount of acquisition or disposal (acquisition and disposal accumulated respectively) of the same security within one year.

- (ii) The Company shall compile a monthly report on the status of derivatives transactions, up to the end of the preceding month, conducted by the Company and its subsidiaries that are not domestic public companies, and post it on the website designated by the competent authority by the 10th of each month for public announcement.
- (iii) In case that the Company, when making public announcement, makes an error or omission in any items that are required to be publicly announced, and hence is required to correct it, the Company shall announce and report all the corrected items again within two days commencing immediately from the date of its knowledge of such error or omission.
- (iv) In case that any of the following circumstances occurs with respect to transactions that have been publicly announced and reported according to the procedures as described in subparagraph (i), the Company shall post the relevant information on the website designated by the competent authority within two days commencing immediately from the date of occurrence of such event for public announcement:
 - (a) Change, termination, or rescission of a signed contract relevant to the original transaction.
 - (b) The merger, demerger, acquisition, or stock transfer plan not completed on schedule as specified in the contract.

6. Scope and quota of investment:

Apart from acquiring assets for business use, the Company and its subsidiaries may also purchase and invest in real properties and securities that are not for business use with the following limits:

- (i) The total amount of the real properties that are not for business use

shall not exceed fifty percent (50%) of the current shareholders equity of the Company. The same applies in the case of a subsidiary.

- (ii) The total amount of the securities shall not exceed one hundred and fifty percent (150%) of the current shareholders equity of the Company. In the case of a subsidiary, the total amount shall not exceed a hundred percent (100%) of its current shareholders equity.
- (iii) The investment amount in any individual security shall not exceed fifty percent (50%) of the current shareholders equity of the Company. In the case of a subsidiary, the amount shall not exceed a hundred percent (100%) of its current shareholders equity.

7. Control and management of acquisition or disposal of assets by subsidiaries.

- (i) Where a subsidiary of the Company intends to acquire or dispose assets, it shall also formulate the Procedures for Acquisition or Disposal of Assets pursuant to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated the competent authority, which shall become effective after the approval of the Board of Director, review of the Audit Committee, and ratification of the shareholders' meeting. The same applies in the case of an amendment.
- (ii) When acquiring or disposing assets, a subsidiary of the Company shall make it in accordance with its own "Internal Control System" and Procedures for Acquisition or Disposal of Assets and submit a written report to the Company by the 7th of each month specifying its acquisition or disposal of assets in the previous month and the status of derivatives transactions up to the end of the preceding month. The auditing unit of the Company shall include the operation of acquisition or disposal of assets by subsidiaries to its checklist and submit the auditing results to the Board of Directors and the Audit Committee.
- (iii) Where a subsidiary of the Company is not a public company, if the amount of its acquisition or disposal of assets reaches the reporting threshold, the Company shall be notified on the date of occurrence of the fact and the Company shall post the situation on designated websites according to regulations for public announcement.

8. Penalties:

In case that managerial officers or persons-in-charge of the Company

violate the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the competent authority, the violators shall be subject to verbal warning for the first violation, written warning for the second violation, and job relocation for repeated or serious violations.

Chapter II Related Party Transactions

9. Basis for identification:

Where the Company acquires or disposes assets from or to a related party, the related party and subsidiary shall be identified in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. When identifying a related party or a subsidiary, apart from legal formalities, the substantive relationship shall also be considered.

10. Resolution procedures:

When the Company acquires or disposes real properties or right-of-use assets thereof from or to a related party, or acquires or disposes assets other than real properties or right-of-use assets thereof from or to a related party and the transaction amount reaches twenty percent (20%) or more of the paid-in capital of the Company, ten percent (10%) or more of the Company's total assets, or NT\$300 million or more, with the exception of trading of domestic government bonds, bonds under repurchase/resale conditions, or subscription/redemption of domestic money market funds, the following materials shall be submitted to the Board of Directors for approval and the Audit Committee for recognition before proceeding further:

- (i) The purpose, necessity and anticipated benefits of the acquisition or disposal of assets.
- (ii) The reason for choosing a related party as the trading subject.
- (iii) Relevant materials for assessing the reasonability of the anticipated transaction conditions according to the exclusion clauses of Article 11 or Article 12 of the Procedures in the event of acquiring real properties or right-of-use assets thereof from a related party.
- (iv) Matters concerning the date and price of the acquisition by a related party, and the trading subject and its relationship with the Company and the related party.
- (v) Monthly Forecast Statement of Cash Receipt and Disbursement for

one year ahead commencing from the anticipated month of contract signing, and an evaluation report about the necessity of the transaction and the reasonability of fund application.

- (vi) An appraisal report from a professional appraiser or a CPA's opinions obtained according to regulations.
- (vii) Limiting conditions and other important agreed matters associated with the transaction.

Where the Company acquires or disposes assets from or to a related party and the transaction amount reaches ten percent (10%) or more of the Company's total assets, in addition to conducting matters concerning relevant resolution procedures and evaluation of the reasonability of transaction conditions according to regulations, the Company shall also obtain an appraisal report from a professional appraiser or opinions from a CPA. Calculation of the transaction amount as referred to in the preceding paragraph shall be made as follows:

- (a) The amount of any individual transaction.
- (b) The cumulative transaction amount of acquisition or disposal of objects of the same nature with the same counterparty within one year.
- (c) The cumulative transaction amount of acquisition or disposal (acquisition and disposal accumulated respectively) of real properties in the same development project within one year.
- (d) The cumulative transaction amount of acquisition or disposal (acquisition and disposal accumulated respectively) of the same security within one year.

"Within one year" refers to a period of one year preceding the date of occurrence of the current transaction. Items duly announced according to the Procedures need not be recounted toward the transaction amount.

11. Evaluation on reasonability of transaction conditions:

Where the Company acquires real properties from a related party, with the exception of such situations as 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 passed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction; 3) the real property is acquired through signing of a joint development contract with the related party or

through contract development, in which the related party plays the role as the developer, on the Company's self-owned land or leased land; 4) the real property or right-of-use assets thereof for business use are acquired from the Company's parent company or subsidiaries, the reasonability of transaction costs shall be evaluated in accordance with the following means, and review and opinions thereof from a CPA shall be obtained:

- (i) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer according to law. The "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- (ii) 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, however, that the actual cumulative amount loaned by the financial institution shall have been seventy percent (70%) or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
- (iii) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and structures may be separately appraised according to either of the means as described in the preceding subparagraphs (i) and (ii).

12. Matters to be attended to when transaction cost is lower than transaction price:

In case that the results of the Company's appraisal conducted according to the provisions of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with the paragraph 3 of the Article with the exception of the following circumstances, along with the submission of objective evidences and specific opinions on the reasonability of transaction conditions by a professional real estate appraiser and a CPA:

- (i) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:

- (a) Where undeveloped land is appraised according to the means as described in the preceding Article, and structures are valued based on the related party's construction cost plus reasonable construction profit, of which the total amount exceeds the actual transaction price. The "Reasonable construction profit" refers to the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (b) Completed transactions by unrelated parties within one 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 practices.
 - (c) Completed leasing transactions by unrelated parties within one year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- (ii) Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to those of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within one year.
- The "completed transactions for neighboring or closely valued parcels of land" as described in the preceding paragraph refers to, in principle, 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; the "transaction for similarly sized parcels" refers to, in principle, transactions completed by unrelated parties for parcels with a land area of no less than 50% of that of the object of transaction; the "within one year" refers to a period of one year preceding the actual date of acquisition of the real property in question.
- (iii) Where the Company acquires real properties from a related party and the results of evaluation conducted according to provisions of the preceding Article are uniformly lower than the transaction price and none of the conditions as described in paragraph (i) of the Article

exists, the transaction shall be conducted as follows:

- (a) A special surplus reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the actual transaction price and the appraised cost of the real property, which shall not be distributed or used for capital increase or issuance of bonus shares. The special surplus reserve shall only be put to use under the following conditions: 1) the asset purchased at a high price has been recognized as loss from falling price or disposed, appropriately compensated, or reverted to the status quo ante; 2) other evidences have confirmed that there was nothing unreasonable about the transaction; 3) approval from the Securities & Futures Institute has been obtained.
- (b) The Audit Committee shall handle the matters according to the provisions of Article 218 of the Company Act.
- (c) Actions taken according to subparagraphs (i) and (ii) shall be reported to a shareholders' meeting, and details of the transaction shall be disclosed in the annual report and the investment prospectus.

Chapter III Control and management of derivatives trading

13. Trading principles and strategies:

- (i) Types of transactions: The types of derivatives trading in which the Company may be engaged include forward contracts, options, interest rate and exchange rate swap, futures, and compound contracts combining the above products. Apart from the above, transactions of any other derivatives shall be approved by the Board of Directors before proceeding further.
- (ii) Operating or hedging strategies: The derivatives trading in which the Company may be engaged can be divided into transactions for hedging purpose and those for non-hedging purpose (namely for trading purpose). Strategically, the main purpose of these transactions shall be to avoid operational risks. In terms of selection of trading derivative products, the main purpose shall be to avoid risks associated with the foreign exchange earnings, expenditures, assets, or liabilities derived from the business operation of the Company. In the event that the Company chooses to engage in

“non-hedging derivatives transactions” at an opportune moment due to changes of the objective environment, these transactions shall be expected to increase non-operating revenue or decrease non-operating losses for the Company. In addition, for trading subjects, the Company shall choose financial institutions that have a business relationship with the Company as far as possible in order to avoid credit risks. Before derivatives transactions can be conducted, the purpose shall be clearly defined whether it is hedging-oriented or a financial operation pursuing investment income in order to serve as an accounting basis.

- (iii) Transaction limits: The total amount of transaction contracts and the upper bound for individual contract is NT\$ 500 million and NT\$ 50 million respectively.
- (iv) Maximum loss limit on total trading and individual contract: The maximum loss limit on all transaction contracts and individual contract is NT\$ 50 million and NT\$ 5 million respectively.
- (v) Segregation of duties:
 - (a) Trading personnel: The Company’s operating officers for derivatives transactions, who are designated by the Chairman of the Board, are responsible for formulating trading strategies, executing transaction orders, disclosing future transaction risks, and providing real-time information to relevant departments for reference within the scope of authorization.
 - (b) Accounting personnel: Apart from confirming transactions, the Company’s accounting personnel are also responsible for keeping the accounts and transaction records, conducting fair market value assessment on positions held on a regular basis, providing the assessment results to personnel who are exclusively responsible for transactions, and disclosing related matters on derivatives in the financial statement according to related regulations.
 - (c) Financial personnel: The Company’s financial personnel are responsible for matters concerning delivery of derivatives transactions.
- (vi) Essentials of performance evaluation:
 - (a) Hedge-oriented transactions: The performance appraisal on hedge-oriented transactions is based on the profit and loss indicated between the cost on exchange (rate) margins and

derivatives transactions. Positions of hedge-oriented transactions shall be evaluated at least twice each month. The performance of such transactions shall be submitted to the management for reference.

- (b) Transactions with a particular purpose: The performance appraisal on transactions with a particular purpose is based on the profit and loss in actual operations. Positions of transactions with a particular purpose shall be evaluated at least once each month. The performance of such transactions shall be submitted to the management for reference.

14. Risk management measures:

Where the Company engages in derivatives trading, the scope of risk management and measures shall be adopted as follows:

- (i) Before conducting derivatives trading, the execution unit shall prepare a risk assessment report on the risk positions and nature of products with respect to such aspects as credit, market price, market liquidity, cash flow, operations, and legal matter, and submit it to relevant officers-in-charge for approval.
- (ii) Trading personnel conducting derivatives transactions must not hold a concurrence post as personnel responsible for transaction confirmation or delivery, and vice versa.
- (iii) Before conducting each derivatives transaction according to the Procedures, the execution unit shall obtain the approval of relevant authorized supervisors. After the transaction, the execution unit shall prepare a transaction detail and submit it, along with the trade confirmation and delivery documents, to the above authorized supervisors. The audit department shall audit and supervise the risk control of transactions regularly.
- (iv) The executing unit of derivatives transactions shall evaluate the position risk of the contract price of the signed transactions at least twice each month. Once any abnormality is found, the executing unit shall report it the relevant officers-in-charge authorized by the Board of Directors.

15. Internal audit system:

- (i) The internal audit personnel of the Company shall periodically learn about the suitability of internal controls over derivatives trading,

conduct a monthly audit on the executing unit's compliance with the operating procedures for conducting derivatives transactions, and prepare an audit report. Once any material violation is found, the audit shall report it to the Chairman of the Board and the senior executives designated by the Board of Directors and inform the Audit Committee in writing.

- (ii) The auditing personnel of the Company shall include derivatives trading in their audit plan and report the Company's implementation conditions of its annual audit plan in previous year to the competent authority by the end of February next year. In the case of any abnormalities, the auditing personnel shall report the improvement situation of these abnormalities to the competent authority for future reference by the end of May next year at the latest.

16. Periodical evaluation methods and handling of abnormalities:

- (i) Derivatives transactions shall be evaluated periodically, of which the trading and profit-loss circumstances shall be summarized and reported to the Chairman of the Board and senior executives authorized by the Board of Directors as reference for management performance appraisal and risk measurement.
- (ii) The Board of Directors of the Company shall truly oversee the management of derivatives trading based on the following principles:
 - (a) The designated senior executives shall monitor the supervision and control of the risks of derivatives trading at all times.
 - (b) The performance of derivatives trading shall be periodically evaluated to see whether or not it meets the Company's established operational strategies and the risks borne are within the scope of tolerance of the Company.
- (iii) The senior executives authorized by the Board of Directors shall manage derivatives trading based on the following principles:
 - (a) Periodically evaluate the suitability of the existing risk management measures and handle the relevant matters according to the provisions of the Procedures and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
 - (b) Supervise trading and profit-loss circumstances and take any necessary measures once abnormalities are found thereof and report the situation to the Board of Directors immediately.

- (iv) The Company, when conducting derivatives trading, shall establish a memorandum book specifying in detail the types and amounts of derivatives transactions, the date of approval by the Board of Directors, monthly or weekly evaluation reports, and periodical evaluation matters by the Board of Directors and senior executives authorized by the Board of Directors.

Chapter IV Merger, demerger, acquisition or stock transfer

- 17. The Company, when conducting a merger, demerger, acquisition, or stock transfer plan, shall invite CPAs, attorneys, or securities underwriters to express their opinions on the reasonability of share exchange ratio, acquisition price, or distribution of cash or other properties to shareholders, and submit them to the Board meeting for deliberation and adoption.
- 18. The Company, when conducting a merger, demerger, acquisition, or stock transfer plan, shall prepare a public report to shareholders, detailing important contractual content and relevant matters prior to the shareholders' meeting, and send it, along with the expert opinions as described in the preceding Article and the meeting notice, to shareholders for their reference in deciding whether to approve the merger, demerger, or acquisition proposal, provided, however, that this shall not apply where the Company is exempt from convening a shareholders' meeting to resolve on a merger, demerger, or acquisition proposal. Where any one of the companies participating in a merger, demerger, or acquisition fails to convene a shareholders' meeting or pass a resolution for some reason or the proposal is rejected by the shareholders' meeting, the Company shall immediately publicly explain the reasons for it and announce follow-up measures, as well as the anticipated date for the next shareholders meeting.
- 19. Unless otherwise stipulated by other laws or being approved by the competent authority in advance, when participating in a merger, demerger, or acquisition, the Company shall convene a Board meeting and a shareholders' meeting on the same day as the other participating companies to revolve relevant matters concerning the merger, demerger, or acquisition.
Unless otherwise stipulated by other laws or being approved by the

competent authority in advance due to special reasons, all companies participating in a stock transfer plan shall convene a Board meeting on the same day.

Public companies or companies with their shares traded on OTC market participating in a merger, demerger, acquisition, or share transfer shall prepare a full written record specifying the following information and retain it for 5 years for future reference:

- (i) Basic information of relevant personnel: Including the title, name, and ID number (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or stock transfer plan prior to disclosure of the relevant information.
- (ii) Date of important events: Including the signing date of letter of intent or memorandum of understanding, the date of entrusting financial or legal advisors, the signing date of contracts, and the date of the Board meeting.
- (iii) Important documents and minutes of meetings: Including merger, demerger, acquisition, or share transfer plans, Letter of Intent or Memorandum of Understanding, important contracts, and minutes of the Board meeting.

Public companies or companies with their shares traded on OTC market participating in a merger, demerger, acquisition, or stock transfer plan shall, within two (2) days counting inclusively from the day the relevant resolution is passed by the Board of Directors, report the information as described in the preceding subparagraphs (i) and (ii), in the prescribed format and via the Internet-based information system, to the competent authority for future reference.

Where the companies participating in a merger, demerger, acquisition, or stock transfer plan are neither public companies nor companies with their shares traded on OTC markets, the Company shall sign an agreement with such companies and handle the transaction according to the provisions of the preceding two paragraphs.

20. Share exchange ratio and acquisition price:

The share exchange ratio and acquisition price of a merger, demerger, acquisition, or stock transfer shall not be arbitrarily changed unless under the following circumstances:

- (i) To conduct cash capital increase or issue such securities as

convertible corporate bonds, stock grants, corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity-based securities.

- (ii) To take an action that may affect the finance and business of the Company, such as disposal of major assets.
- (iii) Incident that may affect the shareholders' equity or share price of the Company happened, such as a major disaster or major change in technology.
- (iv) An adjustment where any of the companies participating in the merger, demerger, acquisition, or stock transfer plan buys back treasury stock according to law.
- (v) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or stock transfer plan.
- (vi) Other terms and conditions to which the alteration permit has been specified in the contract and publicly disclosed.

21. Matters to be stated in the contract:

Where the Company participates in a merger, demerger, acquisition, or stock transfer plan, the contract of such deal shall specify the rights and obligations of participating companies, conditions for alteration of share exchange ratio and acquisition price as described in the preceding Article, and the following matters:

- (i) Handling of breach of contract.
- (ii) Principles for handling equity-based securities previously issued or treasury stock bought back by any participating company that will be extinguished or demerged after the deal.
- (iii) The amount of treasury stock a participating company may buy back according to law after the record date for share exchange ratio calculation, and the principles for handling such buybacks.
- (iv) Methods of handling the change (increase/decrease) in the number of participating entities or companies.
- (v) Anticipated execution progress of the plan and the completion date.
- (vi) The scheduled date for convening the shareholders' meeting according to law in the event that the plan exceeds the deadline without completion, and relevant procedures thereof.

22. Other matters needing attention when the Company participates in a

merger, demerger, acquisition, or stock transfer plan:

- (i) Every person participating in or being privy to the plan for a merger, demerger, acquisition, or stock transfer plan shall sign a written confidentiality agreement and must not disclose the content of the plan prior to public disclosure of the information and shall not buy or sell, in their own name or under the name of another person, any stock or other equity-based securities of any company related to the plan for merger, demerger, acquisition, or stock transfer.
- (ii) After public disclosure of the information on a merger, demerger, acquisition, or stock transfer plan, in case that the Company intends further to carry out a merger, demerger, acquisition, or stock transfer plan with other companies, all the procedures or juristic acts completed in the original proposal shall be carried out again except for the case that the number of participating companies is decreased and the shareholders' meeting has adopted a resolution to excuse the Company from convening a shareholders' meeting to pass a resolution again and authorize the Board of Directors to alter the limits of authority.
- (iii) Where the companies participating in a merger, demerger, acquisition, or stock transfer plan are not public companies, the Company shall sign an agreement with such companies and handle the transaction in accordance with the provisions of the preceding two subparagraphs and Article 21 of the Procedures.

Chapter V Other important matters

- 23. When acquiring or disposing assets, the Company, unless otherwise specified by other laws, shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinion letters of the CPA, attorney, and securities underwriter at the Company for at least 5 years.
- 24. The professional appraisers and their officers, CPAs, attorneys, or securities underwriters that provide the Company with appraisal reports or professional opinions shall not be a related party.
- 25. The ten percent (10%) of the total assets as referred to in the Procedures shall be calculated based on the total amount of assets stated in the most recent parent-company-only financial report or individual financial report

prepared according to the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

In case that the Company's shares have no par value or have a par value other than NT\$10, the transaction amount of twenty percent (20%) the of paid-in capital specified in the Procedures shall be calculated as ten percent (10%) of the equity attributable to owners of the parent company; while in the event that the transaction amount derived from paid-in capital reaches NT\$ 10 billion specified in the Procedures shall be calculated as NT\$ 20 billion from the equity attributable to owners of the parent company.

The terms that are not defined in the Procedures shall be interpreted according to the provisions of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the competent authority.

The Procedures shall be effective upon approval by the Board of Directors, review of the Audit Committee, and ratification of the shareholders' meeting. The same applies in the case of an amendment. In case that any director expresses objections to the proposed Procedures which have been put on record or given in a written statement, the Board of Directors shall submit those objections to the Audit Committee for review.

In case that the Company has appointed independent directors required by law or voluntarily, opinions of the independent directors shall be fully considered. Any objections or reservations expressed by independent directors shall be specified in the minutes of the Board meeting. The same applies in the case of an amendment.

26. The Procedures has experienced seven amendments since it came into effect: 1st amendment on November 27, 2003; 2nd amendment on June 13, 2007; 3rd amendment on June 6, 2012, 4th amendment on June 18, 2014; 5th amendment on June 15, 2016; 6th amendment on June 15, 2017; 7th amendment on June 13, 2019.