

# **Apex International Company Limited**

## **Procedures for the Acquisition or Disposal of Assets**

### **Chapter 1: General Principles**

#### **Article 1: Objectives and basis**

For purposes of enhancing the Company's asset management and effecting public disclosure of information, these Procedures for the Acquisition or Disposal of Assets ("Procedures") are adopted in accordance with Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition or Disposal of Assets by Public Companies issued by the Securities and Futures Bureau of the Financial Supervisory Commission ("FSC"). The Company shall handle the acquisition or disposal of assets in compliance with these Procedures. If financial laws or regulations provide otherwise, such provisions shall govern.

#### **Article 2: Scope of assets and definitions**

1. The term "assets" in these Procedures shall apply to the following:

- (1) Stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- (2) Real property and equipment.
- (3) Membership certificates.
- (4) Intangible assets such as patents, copyrights, trademarks, and franchise rights.
- (5) Right-of-use assets
- (6) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- (7) Derivatives.
- (8) Assets acquired or disposed of through lawful mergers, demergers, acquisitions, or share transfers.
- (9) Other major assets.

2. The terms in these Procedures are defined as follows:

- (1) Derivatives: Refers to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rates, financial instrument price, commodity price, foreign exchange rates, indexes of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (or sales) agreements.
- (2) Assets acquired or disposed of through lawful mergers, demergers, acquisitions, or share transfers: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other laws, or to transfers of shares from another company

for which new shares of its own are issued as consideration (hereinafter, "share transfer") under Article 156-3, of the Company Act.

- (3) Related party, subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (4) Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- (5) Date of occurrence: Refers to the earliest of the following dates: the date of contract signing, date of payment, date of consignment, date of transfer, date of a board of directors resolution, or other date from which the counterparty and monetary amount of a transaction can be determined; provided that for investments requiring the approval of the Competent Authority, the earlier of either an abovementioned date or the date of receipt of approval by the Competent Authority shall apply.
- (6) Mainland China area investment: Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- (7) Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- (8) Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- (9) Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.
- (10) Total asset: Refers the total asset of the latest financial report which is prepared based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The terms do not define in the Procedures will follow the definitions of the Regulations Governing the Acquisition or Disposal of Assets by Public Companies issued by FSC.

## **Chapter 2: Acquisition or Disposal of Assets**

### **Article 3: Appraisal procedures**

The methods and reference criteria for determining the price at which the Company acquires or disposes of assets shall comply with the following:

- 1. Securities investments: Before acquiring or disposing of securities, the Company shall first obtain, for reference in appraising the transaction price, a financial statement of the subject company for the most recent period that has been audited and certified or reviewed by a certified public accountant (CPA), or an investor memorandum, prospectus, or financial information regarding the

subject securities, and shall determine the transaction price using the following methods:

- (1) For acquisition or disposal of securities traded on the centralized securities exchange market or an OTC market, the price shall be determined according to the current trading price.
- (2) For acquisition or disposal of securities not traded on the centralized securities exchange market or an OTC market, the price shall be determined through negotiation after consideration of net worth per share, profitability, and future development potential, taking current market prices as a reference, or by negotiation after reference to current market interest rates, bond coupon rates, and debtor creditworthiness.

In addition, when the amount of a transaction reaches 20 percent of paid-in capital or NT\$300 million or more, the Company shall obtain an opinion from a CPA on the reasonableness of the trading price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to other Financial Supervisory Commission's Regulations.

2. Real property, equipment or right-of-use assets: Prices for the acquisition or disposal of real property, equipment, or right-of-use assets shall be determined through negotiation, with reference to the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties; in acquisition or disposal of equipment, the Company shall first collect relevant price information and make a price determination through one of three methods, either price comparison, price negotiation, or call for tenders.

When the Company acquires or disposes of real property, equipment, or right-of-use assets if the transaction amount reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with domestic government agencies, hiring others to build on its own land, hiring others to build on rented land, or acquiring or disposing of operating machinery and equipment or right-of-use assets, it shall first obtain an appraisal report from a professional appraiser and shall further 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 reference criteria for the transaction price, the transaction shall first be submitted for approval by the board of directors, and the same procedure shall be followed whenever there is any subsequent changes to the terms and conditions of the transaction.
- (2) Where the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be engaged to provide appraisals.
- (3) Where any of the following circumstances applies with respect to the results of a professional appraisal, 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 CPA shall be engaged to issue a specific opinion regarding 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 results of two or more professional appraisals is 10 percent or more of the transaction amount.
- (4) Where an appraisal is conducted before a contract execution date, no more than three months may pass between the date of the appraisal report and the contract execution date, provided that where the announced current value used in the appraisal is for the same period and not more than six months have elapsed, the original professional appraiser may issue an opinion.

3. Intangible assets, right-of-use assets or Membership certificates

When acquiring or disposing of membership certificates, the Company shall first collect relevant price information and use one of two methods, price comparison or price negotiation, to effect acquisition or disposal. When acquiring or disposing of intangible assets, the Company shall also collect relevant price information, and shall make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price. When a transaction amount for acquisition or disposal of intangible assets or its right-of-use assets or membership certificates reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall seek an opinion from a CPA on the reasonableness of the transaction price.

4. Other major assets

In acquiring or disposing of claims of financial institutions, derivatives, assets transferred by means of lawful mergers, demergers, acquisitions, or share transfers, or other major assets, the Company shall collect relevant price information, depending on the nature of the subject asset of the transaction, and make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price.

5. When the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

6. The calculation of the transaction amounts referred to in the first three Paragraphs of this Article and the Article 4 shall be done one year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

**Article 4: Operating procedures**

1. Levels of authorization

(1) When the Company acquires or disposes of assets, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.

1. Acquisitions or disposals of securities:

1.1 Each individual transaction in an amount equal to or greater than 20 percent of paid-in capital or NT\$300 million shall be reported to and approved by the board of directors prior to its execution.

1.2 For any individual transaction that is less than both 20 percent of paid-in capital and NT\$300 million, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.

1.3 In addition to the provisions of 1.1 and 1.2 above, any equity investment in the mainland China region shall be subject to the provisions of the Investment Commission of the Ministry of Economic Affairs.

1.4 When the purpose of an acquisition or disposal is short-term allocation of funds, the transaction shall be submitted to supervisors for approval in order of their increasing

authority in accordance with the transaction amounts and procedures for approval set out in the "internal decision authorization limits."

1.5 Where the transaction counterparty is a related party, each transaction in whatsoever amount shall be submitted to and approved by the board of directors prior to its execution.

## 2. Acquisitions or disposals of real property:

### 2.1 Acquisition or disposal of real property for business use:

2.1.1 Each individual transaction in an amount equal to or greater than 20 percent of paid-in capital or NT\$300 million shall be reported to and approved by the board of directors prior to its execution.

2.1.2 For any individual transaction amount that is less than both 20 percent of paid-in capital and NT\$300 million, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.

2.1.3 A transaction for the acquisition of real property from a related party must be submitted to and approved by the board of directors prior to execution in accordance with the relevant provisions of Chapter 3 of these Procedures.

2.2 The acquisition or disposal of real property for non-business use, within the limits for transaction amounts set out in paragraph 2 of this article, may be executed after submission to and approval by the board of directors. If the transaction counterparty is a related party, submission to and approval by the board of directors in accordance with the provisions of Chapter 3 of these Procedures is still required prior to execution.

## 3. Acquisition or disposal of equipment:

### 3.1 Acquisition or disposal of assets for business use:

3.1.1 Each transaction in an amount equal to or greater than 20 percent of paid-in capital or NT\$300 million or more shall be submitted to and approved by the board of directors prior to its execution.

3.1.2 Where the transaction counterparty is a related party and each transaction is less than 20 percent of the Company's paid-in capital, 10 percent of total assets and NT\$300 million:

3.1.2a If the related party is not a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, each transaction in whatsoever amount shall be submitted to and approved by the board of directors prior to its execution.

3.1.2b If the related party is a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, the transaction shall be submitted to and approved by the Senior Vice President prior to its execution.

3.1.3 Transactions in amounts less than those in 3.1.1 or 3.1.2 above shall be submitted to supervisors for approval in order of their increasing authority in accordance with the "internal decision authorization limits."

3.2 Acquisitions or disposals of assets that are not intended for business use shall be submitted to and approved by the board of directors prior to their execution.

4. Acquisition or disposal of membership certificates:

- 4.1 Where the transaction counterparty is not a related party, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.
- 4.2 Where the transaction counterparty is a related party, each transaction in whatsoever amount shall be submitted to and approved by the board of directors prior to its execution.

5. Acquisition or disposal of intangible assets and other major assets:

- 5.1 Each individual transaction in an amount equal to or greater than 20 percent of paid-in capital or NT\$300 million shall be reported to and approved by the board of directors prior to its execution.
- 5.2 For any individual transaction amount that is less than both 20 percent of paid-in capital and NT\$300 million, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.
- 5.3 Where the transaction counterparty is a related party, each transaction in whatsoever amount shall be submitted to and approved by the board of directors prior to its execution.

6. In acquisition or disposal of assets by means of lawful mergers, demergers, acquisitions, or share transfers, the unit executing the transaction shall first conduct an appraisal and thereafter carry out the transaction in accordance with relevant laws and regulations and Chapter 4 of these Procedures.

- (2) After the Company has created independent director position(s), in accordance with the preceding provision, major asset acquisition or disposal transactions shall be deliberated by Audit Committee then submitted to Board of Directors for approval. If approval of more than half of all audit committee members - is not obtained, with a proposal by the chair to the board of directors, the Procedures may be implemented if approved by more than two-thirds of all directors, provided that the resolution of the audit committee is recorded in the minutes of the board of directors meeting. During deliberation by the board of directors -, adequate consideration shall be given to the opinions of each independent director, and where an independent director has dissenting or qualified opinion, such opinion shall be entered into the minutes of the board of directors meeting.

2. Amount limits

- (1) The total amount of any real property or right-of-use assets purchased by the Company for non-business use may not exceed 20 percent of the Company's net worth; the total amount of any real property purchased by a subsidiary of the Company for non-business use may not exceed 20 percent of the Company's net worth, and may not exceed the subsidiary's net worth.
- (2) Unless with the approval of a shareholders meeting, the total amount of investment by the Company in securities may not exceed its net worth; the total amount of investment in securities by a subsidiary of the Company may not exceed the subsidiary's net worth.
- (3) Unless with the approval of a shareholders meeting, the amount of the Company's investment in any single security may not exceed 50 percent of its net worth; the amount of investment by a



subsidiary of the Company in any single security may not exceed 50 percent of the Company's net worth and may not exceed the subsidiary's net worth.

- (4) Securities acquired by the Company or a subsidiary for the purpose of short-term allocation of funds, or acquired through the conduct of M&A activities such as mergers, demergers, acquisitions, or share transfers carried out in accordance with relevant domestic or foreign laws, shall not be subject to the restrictions on amounts in (2) and (3) above.

### 3. Units executing transactions

- (1) For acquisition or disposal of securities: the financial unit or related unit.
- (2) For acquisition or disposal of real property and equipment: the general affairs unit, financial unit, or other related unit.

### 4. Transaction procedures

Procedures and operations in relation to the acquisition or disposal of assets shall be carried out in accordance with relevant provisions of laws and regulations and the internal rules of the Company.

## **Article 5: Other important matters**

For any appraisal report or any written opinion from a CPA, attorney, or securities underwriter obtained by the Company, the professional appraiser and appraiser's officers, CPA, attorney, or securities underwriter shall meet the following requirements:

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

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-discipline rules of the associations to which it belongs and the following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When executing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is suitable and reasonable, and that they have complied with applicable laws and regulations.

## **Chapter 3: Acquisition of Real Property from Related Parties**

### **Article 6: Scope of applicability**

For the acquisition or disposal of assets by the Company with a related party, the relevant resolution procedures and appraisals of the reasonableness of the transaction terms shall be carried out in accordance with the provisions of this chapter and the preceding chapter. If the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be done in compliance with the paragraph 6 of Article 3.

In judging whether a trading counterparty is a related party, consideration shall be given to the substantive nature of the relationship in addition to its legal form.

### **Article 7: Resolution procedures**

When the Company intends to acquire or dispose of real property or right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed until the following matters have been deliberated by Audit Committee 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 choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property or right-of-use assets from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Articles 8 through 10.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract and an evaluation of the necessity of the transaction and the reasonableness of funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Any restrictive covenants or other important stipulations associated with the transaction.

If the Company or its subsidiary that is not a domestic listed company has the transaction mentioned in the first paragraph, and the transaction amount is more than 10% of the Company's total assets. The Company shall submit the information listed in the first paragraph to the shareholders' meeting for approval before signing a transaction contract and making payment. However, the transaction between the Company and its parent company or its subsidiaries, or the transaction between its



subsidiaries, is not limited to this.

The calculation of the transaction amounts referred to in the first and the preceding paragraph shall be done in accordance with the paragraph 2 of Article 17, and "within one year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which had been submitted to Audit Committee for deliberation and then submitted to Board of Directors and shareholders' meeting for approval in accordance with the Procedures need not be counted toward the transaction amount.

Subsequent to the creation of independent director(s) by this Company in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported if approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, with a proposal by the chair to the board of directors, the Procedures may be implemented if approved by more than two-thirds of all directors, provided that the resolution of the audit committee is recorded in the minutes of the board of directors meeting. During deliberation by the board of directors, adequate consideration shall be given to the opinions of each independent director, and their dissenting or qualified opinions, if any, and the reasons for them shall be entered into the minutes of the board of directors meeting.

#### **Article 8: Appraisal procedures**

When acquiring real property or right-of-use assets from a related party, the Company shall assess the reasonableness of the transaction costs by the following methods:

1. Based upon the related party transaction price plus necessary interest on funding and the costs to be borne by the buyer in accordance with the law. "Necessary interest on funding" is the imputed weighted average interest rate on borrowing in the year the company purchases the property. That rate, however, may not be higher than the maximum lending rate for non-financial enterprises announced by the Ministry of Finance.
2. Where the related party has previously created a mortgage on the property as security for a loan, based on the total loan value appraisal from the financial institution. The actual cumulative value of the financial institution's loan shall have reached 70 percent of more of the appraised loan value of the property and the loan period shall have been one year or more, provided that this shall not apply when the financial institution and one of the trading counterparties are related parties.

When land and structures thereon are combined as a single property purchased or leased in one transaction, separate appraisals of the transaction costs for the land and the structures may be carried in accordance with either of the means listed in the preceding paragraph.

When the Company acquires real property or right-of-use assets from a related party and appraises the cost of the real property or right-of-use assets in accordance with the provisions of preceding two paragraphs, it shall also engage a CPA to conduct a secondary review and render a specific opinion.

When the Company acquires real property or right-of-use assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of Article 7 and the provisions of the preceding three paragraphs shall not apply:

1. The related party acquired the real property or right-of-use assets through inheritance or as a gift.
2. More than five years have elapsed from the time the related party or right-of-use assets signed the contract to obtain the real property 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 hiring others to build on its own land, hiring others to build on rented land.

4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

#### **Article 9: Procedures for handling appraised prices lower than the proposed transaction price (1)**

When the results of the Company's appraisals under paragraph 1 and paragraph 2 of the preceding Article are all lower than the proposed transaction price, the matter shall be handled in accordance with Article 10. Where the following circumstances exist, however, and the Company puts forward objective evidence and obtains specific opinions on reasonableness from a professional real property appraiser and a CPA, the above condition shall not apply:

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

"Cases of transactions completed in adjacent areas" in the preceding paragraph in principle refers to property on the same or an adjacent block and within a distance of no more than 500 meters or property whose publicly announced current value is similar. "Similar in area" in principle refers to transactions completed by unrelated parties for property with an area of no less than 50 percent of the property in the planned transaction. "Within the preceding year" refers to a preceding period of one year calculated from the actual date of occurrence of the real property or obtainment of the right-of-use assets acquisition.

#### **Article 10: Procedures for handling appraised prices lower than the proposed transaction price (2)**

When the Company acquires real property or right-of-use assets from a related party and the results of the appraisals under Articles 8 and 9 are all lower than the proposed transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property or right-of-use assets transaction price and the appraised cost, which may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
2. Independent Director of Audit Committee shall comply with the provisions of Article 218 of the Company Act.
3. Actions taken pursuant to subparagraphs 1 shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and in prospectuses.

When the Company sets aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of

the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence to confirm there was nothing unreasonable in the transaction, and the FSC has given its consent.

When the Company acquires or disposes of real property or right-of-use assets against a related party and other evidence indicates that the transaction was at non-arm's length, it shall also comply with the provisions of the preceding two paragraphs.

## **Chapter 4: Mergers, Demergers, Acquisitions, and Share Transfers**

### **Article 11: Resolution procedures**

1. When the Company conducts a merger, demerger, acquisition, or share transfer, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to issue an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders that is deliberated by Audit Committee and reported to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital. If approval of more than half of all audit committee members is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, provided that the resolution of the audit committee is recorded in the minutes of the board of directors meeting.
2. When the Company participates in a merger, demerger, or acquisition, then prior to the shareholders meeting, it shall prepare a public report to shareholders detailing major contractual content and matters relevant to the merger, demerger, or acquisition, along with the expert opinion referred to in the preceding paragraph and the notification of the shareholders meeting for reference by shareholders in deciding whether to approve the merger, demerger, or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a shareholders meeting to approve the merger, demerger, or acquisition.

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

3. When the companies participating in a merger, demerger, or acquisition convene board of directors meetings or shareholders meetings to resolve matters concerning the merger, demerger, or acquisition, they shall do so on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent. The companies participating in a share transfer shall convene their board of directors meetings on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.

An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall make a comprehensive written record of the following information, to be retained for five years for reference:

1. Basic personnel information: including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or share transfer prior to public disclosure of the plan.
2. Dates of material events: including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, or share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall, within two days after the date of passage of the board of directors resolution, report the information under subparagraphs 1 and 2 of the preceding paragraph for reference by the FSC, in the prescribed format, through its Internet information reporting system.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(ies) so listed or traded shall sign an agreement with such company, and the provisions of paragraphs 3 and 4 shall be complied with.

## **Article 12: Confidentiality commitments**

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

## **Article 13: Change of share exchange ratio or acquisition price**

When the Company participates in a merger, demerger, acquisition, or share transfer, it may not arbitrarily alter the share exchange ratio or acquisition price except under the circumstances listed below, and it shall stipulate in the contract for the merger, demerger, acquisition, or share transfer the circumstances under which alteration is permitted:

1. A cash capital increase, an issuance of convertible corporate bonds or bonus shares, an issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
2. An action, such as a disposal of major assets, that affects the company's finances or business.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company duly repurchases treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or share transfer.
6. Any other condition under which such alteration may take place that has been stipulated in the contract and has been publicly disclosed.

#### **Article 14: Particulars to be set out in the contract**

The contract for the Company's participation in a merger, demerger, acquisition, or share transfer shall set out the rights and obligations of the companies participating in the merger, demerger, acquisition, or share transfer, and shall also set out the following:

1. Handling of breach of contract.
2. The principles for handling of 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 amount of treasury stock participating companies may duly repurchase after the record date of calculation of the share exchange ratio and the principles for handling of repurchases.
4. The method of handling changes in the number of participating entities or companies.
5. A preliminary progress schedule for execution of the plan and the anticipated completion date.
6. Handling procedures in relation to matters such as the scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion.

#### **Article 15: Changes in other participants**

When any company participating in a merger, demerger, acquisition, or share transfer, after public disclosure of such information, subsequently forms an intention to undertake another merger, demerger, acquisition, or share transfer with another company, then except in a case where the number of participants is decreased and the shareholders meeting has resolved and authorized the board of directors to change the limits of authority, in which case the participant company may be exempt from the requirement to convene a shareholders meeting for a new resolution, any procedures or juristic acts already brought to completion in the original case of merger, demerger, acquisition, or share transfer shall be performed over again by all participating companies.

**Article 16: Method of handling in respect of a participating company that is not a public company**

When any company participating in a merger, demerger, acquisition, or share transfer is not a public company, the Company shall sign an agreement with that company and shall proceed in accordance with paragraph 3 of Article 11, Article 12, and Article 15.

**Chapter 5: Public Disclosure of Information**

**Article 17: Procedures for public announcement and reporting**

When the Company acquires or disposes of assets under any of the following circumstances, it shall publicly announce and report the relevant information, in accordance with the type of disposal or acquisition, on the SFB's designated website in the appropriate format as prescribed by regulations within two days from the date of occurrence:

1. Acquisition or disposal of real property or right-of-use assets from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Merger, demerger, acquisition, or share transfer.
3. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. Where the type of asset acquired or disposed is equipment or right-of-use assets for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:
  - A. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
  - B. For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
5. Acquisition or disposal by the Company in the construction business of real property or right-of-use assets for construction use, where the trading counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the Company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.
6. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.
7. Where the amount of an asset transaction other than any of those referred to in the preceding six subparagraphs or a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. This



restriction shall not apply, however, under the following circumstances:

- (1) Trades in domestic government bonds or foreign government bonds with a credit rating not lower than Taiwan's sovereign rating.
- (2) Securities trading by investment professionals on securities exchanges or over-the-counter markets, or subscription of ordinary corporate bonds, foreign government bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription of securities by an investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market or the subscription and sellback of the Exchange Traded Notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
- (3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of the transactions in the preceding paragraph shall be calculated as follows:

1. As the amount of any individual transaction.
2. As the cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year.
3. As the cumulative transaction amount of real property acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) in the same development project within one year.
4. As the cumulative transaction amount of acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) of the same security within one year.

"Within one year," as used in paragraph 2, refers to a preceding period of one-year calculated from the date of occurrence of the current transaction. Items duly announced in accordance with the Regulations need not be entered.

The Company shall compile monthly reports, covering the period up to the end of the preceding month, on the status of derivatives trading made by it or by any subsidiaries that are not public companies, and enter the information in the prescribed format into the information reporting website designated by the SFB by the tenth day of each month.

When an item that the Company is required by regulation to publicly announce is found at the time of announcement to contain an error or omission and correction is required, all announced items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions from CPAs, attorneys, and securities underwriters at the headquarters of the Company, where, unless otherwise provided in another law, they shall be retained for at least five years.

Information required to be publicly announced and reported in accordance with the provisions of Chapter 5 on acquisitions and disposals of assets by a subsidiary of a public company that is not itself a public company in Taiwan shall be reported by the Company.

## **Article 18: Other matters of material significance**

Under any of the following circumstances, after the Company has publicly announced and reported a transaction in accordance with the preceding article, it shall publicly announce and report related information through the information reporting website designated by the Commission within two days from the date of occurrence:

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

## **Chapter 6: Supplementary Provisions**

### **Article 19: Penalties**

Any relevant person who violates these Procedures or any provision herein shall be subject to penalization in accordance with the relevant provisions of the Company.

### **Article 20: Procedures for controlling the acquisition or disposal of assets by subsidiaries**

1. The Company shall oversee its subsidiaries to ensure their adoption of procedures for the acquisition or disposal of assets in accordance with the related Regulations Governing Public Companies adopted by the Securities and Futures Commission of the Ministry of Finance.
2. Subsidiaries shall themselves conduct reviews of the procedures that they adopt to ensure that they conform with the provisions of relevant regulations and shall conduct reviews of acquisitions or disposals of assets to ensure that they are carried out in accordance with the adopted procedures.
3. The Company's internal auditing personnel shall conduct a secondary review of the review reports of the subsidiaries, and shall notify each supervisor in writing upon the discovery of any material violation.
4. When a subsidiary of the Company is not a domestic public company, any announcement and reporting of information in connection with its acquisition or disposal of assets that is required pursuant to Chapter 5 herein shall be performed by the Company.

A subsidiary referred to in the preceding paragraph is subject to the public announcement and reporting standards of Article 17, paragraph 1 concerning reaching paid-in capital or total assets. The standard shall be based on the paid-in capital or total assets amount of the Company.

### **Article 21: Derivatives product transactions**

The Company shall comply with its Procedures for the Handling of Derivatives Trading when engaging in derivatives transactions, and shall be duly diligent to risk management and auditing matters, to fully implement its internal control system,

### **Article 22: Other matters of material significance**

Any matter on which these Procedures are silent, or in which any doubt arises regarding the application hereof, shall be handled in accordance with relevant laws and regulations. Where laws and regulations contain no applicable provisions, the matter shall be handled in accordance with the

relevant rules of the Company or through discussion and resolution by the board of directors.

**Article 23:**

The Company shall not renounce its annual capital increase to Apex Circuit (Thailand) Co., Ltd. and Approach Excellence Trading Ltd. Where strategic alliance is under consideration, or other matters are approved by Taipei Exchange, the Company intends to renounce its capital increase to the aforementioned companies or dispose of the equity of the aforementioned companies, the procedures may be implemented in compliance with the resolution approved by more than half of all directors against over two-thirds of all directors present.

**Article 24: Procedures for amendment**

After their passage is deliberated by Audit Committee and approved by the board of directors, these Procedures shall be reported to the shareholders meeting for approval; the same shall apply to any amendment hereto. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, provided that the resolution of the audit committee is recorded in the minutes of the board of directors meeting.

During deliberation by the board of directors, the opinions of each independent director shall be given adequate consideration, and their consenting or dissenting opinions and the reasons for them shall be entered into the minutes of the board of directors meeting.

Any amendment to the Procedures, if any, shall be reported in writing to Taipei Exchange on the disclosure of material information through the Internet information reporting system designated by Taipei Exchange.