

CyberLink Corp.

Operational Procedures for Acquisition or Disposal of Assets

Resolved by the shareholder meeting on 2022.06.21

Article 1: Purpose

In order to protect investment, implement information disclosure, and strengthen the management of the acquisition or disposal of the Company's assets, this Procedures is specially formulated.

Article 2: Basis

These Procedures are promulgated pursuant to the Company Act and Securities and the applicable regulations governed by Futures Bureau, Financial Supervisory Commission.

Article 3: Scope of assets

The term "assets" as used in these Procedures includes the following::

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities, representing interest in a fund, depository receipts, call(put) warrants, beneficiary interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment properties, and construction enterprise inventory) and equipment.
3. Membership.
4. Patents, copyrights, trademarks, franchise right, and other intangible assets.
5. Right-of-use assets.
6. Claims of a financial institution (including receivables, bills purchased and discounted, loans, and overdue receivables).
7. Derivatives.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

Article 4: Terms used are defined as follows:

1. Derivatives: forward contracts, option contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specific 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 or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contract, or long-term purchase (sales) contracts.
2. Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial

Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the Company Act.

3. Related parties and subsidiaries: as defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of board of directors' resolutions, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investments: Refer to investment projects in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technological 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” refer to any organized securities exchange market that is regulated by the competent securities authority of the jurisdiction where it is located.
9. Over-the-counter venue (“OTC venue,” “OTC”): “domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 5: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and 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-regulatory rules of the industry associations to which they belong and with the following provisions:

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

Article 6: Scope and limitation of investment

The limit of non-operating real property and its right-of-use assets thereof or securities acquired by the Company and each subsidiary as follows ; provided, except for domestic and foreign high yield bond and money funds traded by the Company for the purpose of increasing capital income.

1. The total amount of non-operating real estate property and its right-of-use assets thereof shall not exceed 50% of the Company's net worth.
2. The total amount of securities investments shall not exceed 50% of the Company's net worth.
3. The limit of investments in each respective security shall not exceed 50% of the Company's net worth.

Article 7: Appraisal and operating procedures for acquisition and disposal of assets

1. Acquisition or disposal of securities

- (1) For securities acquired or disposed of in the centralized exchange market or over-the-counter (OTC) market, the operating department shall comply with the approved authority of the Company's hierarchical responsibility regulation to submit items such as the reasons for the proposed acquisition or disposal, targeted assets, and price reference, etc. to the in-charge department for the decision.

- (2) For securities not acquired or disposed of in the centralized exchange market or over-the-counter (OTC) market, the operating department shall comply with the approved authority of the Company's hierarchical responsibility regulation to submit items such as the reasons for the proposed acquisition or disposal, targeted assets, and price reference, etc. to the in-charge department for the decision.
2. For real property or other assets acquired or disposed, the operating department shall comply with the approved authority of the Company's hierarchical responsibility regulation to submit items such as the reasons for the proposed acquisition or disposal, targeted assets, and price reference, etc. to the in-charge department for the decision.
3. For the Company's procedures for the acquisition or disposal of assets, after the procedures have been approved by the board of directors, they shall be submitted to each supervisor, and then to a shareholders' meeting for approval; if any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor..
4. For assets acquired and disposed by the Company, the general manager is authorized by the board of directors to decide such matters when the transaction is within NT\$100 million; the board chairman s authorized by the board of directors to decide such matters when the transaction is between NT\$100 million and NT\$300 million; shall be resolved by the board of directors when the transaction is more than NT\$300 million.
5. When the acquisition or disposal of machinery equipment conducted between the Company and its subsidiaries, the preceding paragraph shall apply when the transaction is within NT\$300 million; the board chairman s authorized by the board of directors to decide such matters when the transaction is between NT\$300 million and NT\$500; shall be resolved by the board of directors when the transaction is more than NT\$500 million.
6. Even though trading of bonds under repurchase and resale agreements, fixed income funds, money market funds, quasi- money market funds, secondary market commercial paper, negotiable certificates of deposit, and banker's acceptances are classified as securities; however, in fact, it should be classified as fund allocation; for its acquisition and disposal, the general manager is authorized by the board of directors to decide such matters when single transaction is within NT\$100 million; the board chairman s authorized by the board of directors to decide such matters when the transaction is between NT\$100 million and NT\$500 million; shall be resolved by the board of directors when the transaction is more than NT\$500 million.

Article 8: Procedures for transaction terms of assets acquisition or disposal determination

1. The means of price determination and supporting reference materials of assets acquisition or disposal:
 - (1) Acquiring or disposing of securities

- a. For securities acquired or disposed of in the centralized exchange market or OTC market, the price shall be determined according to market price at the time of transaction .
 - b. For securities not acquired or disposed of in the centralized exchange market or OTC exchange, the price shall be determined by reference to net worth per share, profitability, potential for future development, and then transaction price.
- (2) When acquiring or disposing of other assets, the Company shall proceed by means of price comparison, price negotiation, request for bids, or other methods.
2. For assets acquired or disposed, the operating department shall comply with the approved authority of the Company's hierarchical responsibility regulation to submit to the in-charge department for the decision.

Article 9: Appraisal report for acquisition or disposal of assets or equipment

In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches a threshold requiring public announcement and regulatory filing, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Where the transaction amount exceeds NT\$1 billion then appraisals from two or more professional appraisers shall be obtained.
3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render 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% or more of the transaction amount.
 - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.

4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser to update the appraised value.

Article 10: Related-Party Transactions

1. When acquiring or disposing of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in accordance with Article 9, Article 11, and this Regulations, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, 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 Article 9. The calculation of the transaction amount referred to in this subparagraph shall be made in accordance with Article 11 herein.
2. When acquiring and disposing the real property or right-of-use assets thereof from or to a related party, or when acquiring and disposing the assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of the paid-up capital, 10% or more of the Company's total assets, or NTD 300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors :
 - (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - (2) The reason for choosing the related party as a transaction counterparty.
 - (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraphs 3 to 6 of this Article.
 - (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
 - (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
 - (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
 - (7) Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's board of directors may pursuant to Article 7, paragraph

1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

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

When a matter is submitted for discussion by the board of directors, the board of directors shall take into full consideration of each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

3. When acquiring real property or right-of-use assets thereof from a related party, shall evaluate the reasonableness of the transaction costs by the following means:

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

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

4. When acquiring real property or right-of-use assets thereof from a related party and appraising the cost of the real property or right-of-use assets thereof in accordance with the preceding paragraphs, the Company shall also engage a CPA to check the appraisal and render a specific opinion.
5. Acquisition of real estate property or right-of-use thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with paragraph 2, and the two preceding paragraphs do not apply:
 - (1) The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
 - (2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the

- signing date for the current transaction.
- (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.
 - (4) The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.
6. When acquiring real property or right-of-use assets thereof from a related party, if the results of appraisal conducted in accordance with paragraph 3 of the this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - a. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - b. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale.
 - c. Completed leasing practices by unrelated parties within the preceding year involving other floors of the same property, where transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property leasing practices.
 - (2) When acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
 - (3) Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by

unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

7. Where Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the paragraphs 3 to 6 of this Articles are uniformly lower than the transaction price, the following steps shall be taken:
 - (1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where 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. Special reserves made under the preceding paragraph may not be utilized the special reserve until the Company has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission has given its consent.
 - (2) Supervisors shall comply with Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.
 - (3) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
 - (4) If there is an evidence indicating that the acquisition was not an arms length transaction , the Company shall also comply with the preceding three subparagraphs of this paragraph.
8. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10% or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 1 and the preceding paragraph shall be made in accordance with Article 14, Subparagraph

2 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders’ meeting or by the board of directors and recognized by the supervisors in accordance with this Procedure need not be counted toward the transaction amount.

Article 11: Criteria for engaging CPA opinions when acquiring or disposing of assets

1. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If the dollar amount of the transaction is 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.
2. When acquiring or disposing of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

The calculation of the transaction amounts referred to in Article 9 and Subparagraphs 1 and 2 of Article 11 shall be done in accordance with Article 14, Subparagraph 2 herein, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

3. When acquiring or disposing of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 12: Engaging in derivatives trading

1. Type
 - (1) The term "Derivative Products" means any trading contracts with worth derived from assets, interest rates, foreign exchange rates, indexes or other interests (such as forward contracts, options, futures, swaps, and the hybrid products consisted by them).
 - (2) The term "Forward Contracts" does not include insurance contracts, fulfillment contracts, aftersales service contracts, long-term lease contracts and long-term purchase (sale) contracts.
 - (3) When the Company engaging in deposit trading of bonds shall comply with this Procedures.
2. Operation and hedge strategies

Derivative transactions should be conducted for hedging purpose, and the selected trading commodities should mainly enable the Company to decline risks arising from business operations.

3. Responsibility division

(1) Finance personnel

- a. collect market information; estimate the trend and risks; get familiar with financial products, relevant laws and regulations and the operational skills to conduct the derivative transaction; and conduct the derivative transaction in accordance with the instruction of the authorized officer, and within the authorized amount limit to avoid the risks associated with fluctuation of market price;
- b. make the periodic performance evaluation; and
- c. make a public announcement and file the required report(s) periodically.

(2) Accounting personnel

- a. provide information regarding positions of risk exposure;
- b. handling the accounting and preparinf financial reports in accordance with generally accepted accounting principles; and
- c. assessment, monitoring, and controlling of transaction risks.

4. Main points for evaluating performance

- (1) Derivatives trading shall be evaluated at least once per two weeks. The evaluation report shall the submitted to the general manager for review purposes.
- (2) The performance evaluation should be compared with the pre-set evaluation benchmark on the evaluation date, as a reference for future decision-making..

5. Total amount of contracts which can be engaged in the transaction of derivative products and upper limit of loss

Item	Amount
Total amount of contracts	The limitation of hedging transactions is the net operating revenues of the recent year or the total amount of foreign-currency-denominated assets actually held, whichever is higher
The maximum loss limit on total trading	The limitation is 50% of each transaction amount
The maximum loss limit	The limitation is 50% of each transaction amount

6. Operation procedure

- (1) Check the trade position
- (2) Analysis and judge the trend
- (3) Decide methods to be used for hedge:

- a. the target of the derivative transaction
 - b. the position to be held in the derivative transaction
 - c. the proposed price and range; and
 - d. the trading strategy and pattern of the derivative transaction
- (4) Obtain the approval for derivative transaction
 - (5) Execute the derivative transaction's transaction counterparties: Limited to domestic and international financial institutions, unless it's approved by the general manager.
 - (6) Trading confirmation: The trader shall file transaction documents after trading. After the confirmation personnel confirms that whether the conditions of the transaction are consistent with the transaction documents, it should be sent to the responsible supervisor for approval.
 - (7) Settlement: Once the transaction has been correctly verified, the treasury unit shall prepare cash and the relevant documents and designate a settlement personnel to engage settlement at the determined price on the settlement date.
7. Authorized amount

The Company's authorized amount for hedging transactions:

Approver	General Manager	Chairman
Total amount of the contract		
Less than US\$10 million	V	
US\$10 million and more		V

8. Methods of handling accounting

Forward exchange transactions shall be accounted for in accordance with Financial Accounting Criteria Gazette No. 14. Other derivatives are temporarily handled in accordance with international accounting principles until the domestic accounting standards are not clearly regulated.

9. Internal control

(1) Risk management measures

- a. Credit risk management: the trading counterparty shall mainly be the banks that have business relationship with the Company.
- b. Market price risk management: Transactions shall be limited to public stock exchange market or the OTC market.
- c. Liquidity risk management: to ensure liquidity, personnel shall check with the treasury personnel prior to conducting the derivative transaction to make sure that the proposed transaction amount will not cause liquidity shortage. .
- d. Cash flow risk management: In order to ensure stable turnover of the Company's working capital, the Company shall engage in derivative transactions mainly with its own capital..

- e. Operation risk management: To avoid the operation risks, the authorized personnel shall comply with the authorized amount and the operation procedures.
- f. Legal risk management: to avoid legal risks, any agreements entered into between the Company and the relevant banks shall be reviewed by in-house counsel before execution.

(2) Internal control

- a. The respective functions of trading, confirmation and settlement should be performed by different personnel.
- b. Measurement, supervision and control personnel and the trading, confirmation, and settlement personnel cannot be in the same department and shall report to the board of directors or the senior decision making officer who is not in charge of the decision making of the transaction or position.
- c. Authorized trading personnel shall deliver the transaction document or contract to the recording personnel to record the transaction in the book.
- d. The recording personnel shall check with the counterparties or record derivative transactions in the book periodically.
- e. The bookkeeping personnel shall maintain a transaction log detailing the types and amounts of derivatives traded, the board approval date, and all relevant matters that are subject to prudent assessment.

(3) Periodic evaluation

- a. The dedicated personnel designate by the board of directors shall pay continuous attention to monitoring and controlling derivatives trading risk in accordance with “internal control system”, and shall periodically evaluate whether trading performance is consistent with established operational strategy and whether the risk undertaken is within the permitted scope of tolerance.
- b. The dedicated personnel designate by the board of directors shall periodically evaluate the risk management procedures currently employed are appropriate and are faithfully conducted in accordance with this Procedures..
- c. The derivative transactions positions of the Company shall be evaluated at least once every week, provided that the hedge transactions for business need shall be evaluated at least once every two weeks and the evaluation report shall be submitted to the senior decision making officer authorized by the board of directors..
- d. When irregular circumstances are found, the dedicated personnel designate by the board of directors shall adopt appropriate measures and make a report immediately to the board of directors; where the Company has independent directors, an independent director shall be present at the meeting and express an opinion.
- e. The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with the relevant articles of this Procedure.

10. Internal audit system

- (1) The internal audit personnel shall comply with “Enforcement Rules of Internal Audit” to periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing..

Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the supervisors under the preceding paragraph, written notice shall also be given to the independent directors. Where an audit committee has been established in accordance with the provisions of the Act, the provisions of paragraph 2 relating to supervisors shall apply mutatis mutandis to the audit committee.

- (2) Pursuant to “Regulations Governing Establishment of Internal Control Systems by Public Companies,” timely report to the SFC for recordation its corrections of any defects and irregularities of the internal control system discovered in the prescribed format and via the internet-based information system.

Article 13: Merger, and consolidations, splits, acquisitions, and assignment of shares

1. The Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a 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..
2. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding paragraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting 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 shareholder meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders' meeting.
3. A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the

transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the Securities & Futures Commission is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the Securities & Futures Commission is notified in advance of extraordinary circumstances and grants consent.

4. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any Company related to the plan for merger, demerger, acquisition, or transfer of shares.
5. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years for reference:
 - (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 - (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
 - (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
 - (4) When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.
6. The share exchange ratio or acquisition price may not be arbitrarily altered unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
 - (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
 - (2) An action, such as a disposal of major assets, that affects the company's financial operations.
 - (3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.

- (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 - (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
7. The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the Companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
 - (1) Handling of breach of contract.
 - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - (4) The manner of handling changes in the number of participating entities or companies.
 - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
 - (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
8. After public disclosure of the information, if the Company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer shall all be carried out; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew..
9. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Paragraphs 3, 4, and 7 of this Article.

Article 14: Publicly Disclose Information Procedures

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

- (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises .
 - (2) Merger, demerger, acquisition, or transfer of shares.
 - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
 - (4) Where an asset transaction other than any of those referred to in the preceding (1)~(3) subparagraphs, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20 percent or more of paid-up capital or exceeds NT\$300 million ; provided, this shall not apply to the following circumstances:
 - a. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
 - b. Trading of bonds with repurchase or resale agreements.
 - c. The types of assets acquired or disposed is the equipment for business use or its right-of-use assets, and furthermore the transaction counterparty is not a related party, and the transaction amount does not reach NT\$500 million.
 - d. 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 does not reach NT\$500 million. (The calculation is based on the amount expected to invested by the Company)
2. The amount of transactions above shall be calculated as follows:
- (1) The amount of any individual transaction.
 - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
 - (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
 - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
3. “Within the preceding year” as used in paragraph 2 refers to the year preceding

the date of occurrence of the current transaction. Items duly announced in accordance with paragraph 1 of this Article need not be counted toward the transaction amount.

4. Complying monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
5. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
6. The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for 5 years except where another act provides otherwise.
7. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with paragraphs 1 to 6 of this Article, a public report of relevant information shall be made on the information reporting website designated by FSC within 2 days counting inclusively from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.

Article 15: Management of subsidiaries

1. If any subsidiary of the Company is a publicly listed company, it shall establish the “Processing Procedure for Acquisition or Disposal of Asset”.
2. If any subsidiary of the Company is not a publicly listed company and if the asset acquired or disposed of reaches the threshold for public announcement filing, the Company shall also publicly announce, report, and submit it. The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary in determining whether, relative to paid-in capital or the total assets or the paid-in capital stated in the most recent financial report.

Article 16: If the related personnel violates this Procedures and related laws and regulations, the Company may, depending on the severity of the violation, result in warning, demerit, degrade, suspension, reduce the wage, or other disposition, and make it an internal review matter.

Article 17: Matters not specified in this Procedures shall be undertaken in accordance with the related laws and the related Company’s regulations. If the competent authorities amend “Regulations Governing the Acquisition and Disposal of Assets by Public



Companies” or issue the interpretation, the Company shall comply with the new interpretation.

Article 18: After this Procedures have been approved by the board of directors, it shall be submitted to each supervisor, and then to a shareholders' meeting for approval before enforcement; if any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor and shareholder’s meeting for discussion; the same applies when this Procedures are amended.

In addition, where the Company has independent directors, when the Procedures thereof are submitted for discussion by the board of directors pursuant to the preceding paragraph, each independent director's opinions shall be fully taken into consideration, and shall explicitly record its reason for approval or objection in the minutes of the board of directors meeting.