

Pili International Multimedia Co., Ltd.

Procedure for the Acquisition and Disposal of Assets

Article 1: Purpose

For the protection of investments and the enforcement of disclosure, the acquisition or disposal of assets by the Company shall be handled in accordance with this Procedure.

Article 2: Legal Basis

This Procedure is adopted in accordance with Article 36-1 of the “Securities and Exchange Act” and the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”

Article 3: Scope of Applicable Assets

- I. Investment in securities such as shares, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-based securities.
- II. Real property (includes land, buildings, investment properties, and construction inventory) and equipment.
- III. Memberships.
- IV. Intangible assets including patents, copyrights, trademarks, and special permissions.
- V. Right-of-use asset
- VI. Derivatives.
- VII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or the transfer of shares in accordance with the law.
- VIII. Other material assets.

Article 3-1: The terms used in this Procedure are defined as follows:

- I. Derivatives: Refers to forward contracts, option contracts, futures contracts, leverage guarantee contracts, swap contracts, any combination of the above or structured contracts/products with embedded derivatives where the values are derived from interest rate, price of financial instrument, commodity price, asset/interest rate/exchange rate/price/rate index, credit rating, credit index, or other variables, indices or payouts. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
- II. Assets acquired or disposed 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 the transfer of shares from another company through the issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3, of the Company Act.
- III. Related party or subsidiary: As defined in the “Regulations Governing the

- Preparation of Financial Reports by Securities Issuers.”
- IV. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the appraisal of real property or equipment.
 - V. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. If a investment requires the approval of the competent authority, the earlier of the above date or the date that approval by the competent authority was received shall apply.
 - VI. Mainland China area investment: Refers to investments 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 Technical Cooperation in the Mainland Area.”

Article 4: Procedure for the Acquisition or Disposal of Securities Investment

I. Evaluation Procedure:

(I) Determination of pricing:

1. For the acquisition or disposal of securities already traded in a stock market or on the Taipei Exchange (TPEX), this shall be determined by the responsible unit based on the market price.
2. For the acquisition or disposal of securities not traded in a stock market or on the Taipei Exchange (TPEX), this shall be based on the net asset value, profitability, future development potential, and the spot price.

(II) Basis of pricing:

For the acquisition or disposal of securities by the Company, the latest CPA audited and certified or reviewed financial reports of the subject company shall be acquired before the date of occurrence to serve as a reference for the assessment of transaction price. If the Company has been publicly issued and the transaction amount will reach 20% of the paid-in capital or exceed NT\$300 million, the CPA shall be asked to provide their opinion on the reasonableness of the transaction price prior to the date of occurrence. If expert reports need to be adopted by the CPA then this shall be handled in accordance with Auditing Standard Bulletin No. 20 issued by the Accounting Research and Development Foundation. If the securities is publicly priced in an active market or where other rules of the Financial Supervisory Commission applies then an exemption is made.

If the Company is acquiring or disposing of assets through the court auction process then the certifying documents issued by the courts may take the place of the appraisal report or CPA opinion.

II. Operating procedure:

- (I) If the monetary amount of the securities being acquired or disposed of by the Company is less than or equal to NT\$80 million then only the approval of the Chairman is required; if the amount exceeds NT\$80 million then it must be submitted in advance to a vote of the Board of Directors.
- (II) Once a securities investment by the Company has been submitted and approved in accordance with the preceding section then it shall be executed by the financial unit.
- (III) The Company may not abandon capital increases for Dapili International Marketing Co., Ltd., Bigger Picture Inc., Puppet Animation Entertainment

Co.,Ltd., and He Chun (Shanghai) Trading Co.,Ltd. in each year. If the abandonment of capital increases or disposal of the above companies is necessary due to strategic alliance considerations or other matters with TPEX consent, a special motion must be passed by the Board of Directors for approval.

Article V. Procedure for the Acquisition or Disposal of Real property, Equipment or usage rights thereof.

I. Evaluation Procedure:

- (I) Determination of pricing: The acquisition or disposal of real property shall refer to the government assessed land value, appraised value and transaction price of nearby properties when deciding on the conditions and price of the transaction.
- (II) Basis of pricing: Except for transactions with a domestic government agency, engaging others to build on self-owned land, engaging others to build on rented land, or the acquisition or disposal of equipment or usage rights thereof for business use, if the acquisition or disposal of real property, equipment or usage rights thereof by the Company involves a monetary amount that reaches 20% of the Company's paid-in capital or exceeds NT\$300 million, an appraisal report issued by a professional appraiser must be acquired before the date of occurrence. It must also comply with the following provisions:
 1. Where special circumstances necessitate a limited price or specified price as the basis for the transaction price, the transaction shall be submitted for approval in advance to the Board of Directors. The same applies to all subsequent changes in transaction term.
 2. Where the transaction amount exceeds NT\$100 million 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) Where the appraisal result and the transaction amount differ by more than 20% of the transaction amount.
 - (2) Where the appraisal issued by two or more professional appraisers differ by more than 10% of the transaction amount.
 4. No more than 3 months may elapse between the date of the professional appraisal report and the contract execution date. If the government assessed land value is used and no more than 6 months has elapsed then a written opinion may be issued by the original professional appraiser.
 5. If the Company is acquiring or disposing of assets through the court auction process then the certifying documents issued by the courts may take the place of the appraisal report or CPA opinion.
 6. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the appraisal of real property or equipment.

- II. Operating procedure:
- (I) If the monetary amount of the real property or usage rights thereof being acquired or disposed of by the Company is less than or equal to NT\$80 million then only the approval of the Chairman is required; if the amount exceeds NT\$80 million then it must be submitted in advance to a vote of the Board of Directors.
 - (II) If the monetary amount of the equipment or usage rights thereof being acquired or disposed of by the Company is between NT\$2 million and NT\$30 million (inclusive) then only the approval of the Chairman is required; if the amount exceeds NT\$30 million then it must be submitted in advance to a vote of the Board of Directors. This does not apply to capital expenditures in the annual budget approved by the Board of Directors.
 - (III) For the acquisition or disposal of equipment, choose one of the following method: quotation, price comparison, price negotiation or tender.
 - (IV) The acquisition or disposal of real property, equipment or usage rights thereof by the Company shall be submitted to the appropriate authority for approval as outlined above then executed by the user department, management unit or responsible unit.

Article 6: Procedure for the Acquisition or Disposal of Memberships

- I. Evaluation Procedure
- (I) Determination of pricing: For the acquisition and disposal of memberships, the Company shall take the fair market price, transaction conditions and transaction pricing into consideration.
 - (II) Basis of pricing:
Where the Company acquires or disposes of memberships and the transaction amount reaches 20 percent 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.
- II. Operating procedure:
- (I) If the monetary amount of the membership being acquired or disposed of by the Company is between NT\$2 million and NT\$30 million (inclusive) then only the approval of the Chairman is required; if the amount exceeds NT\$30 million then it must be submitted in advance to a vote of the Board of Directors.
 - (II) The acquisition or disposal of memberships by the Company shall be submitted to the appropriate authority for approval as outlined above then executed by the user department, management unit or responsible unit.
 - (III) The acquisition or disposal of memberships shall use one of the following methods: price comparison or price negotiation.

Article 7: Procedure for the Acquisition or Disposal of Intangible Assets or usage rights thereof.

- I. Evaluation Procedure
- (I) Determination of pricing: For the acquisition and disposal of intangible assets or usage rights thereof, the Company shall take expert assessments, fair market price, transaction conditions and transaction pricing into consideration.

- (II) Basis of pricing:
 - acquires or disposes of intangible assets or right-of-use assets thereof and the transaction amount reaches 20 percent 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.
- II. Operating procedure:
 - (I) If the monetary amount of the intangible asset being acquired or disposed of by the Company is between NT\$2 million and NT\$30 million (inclusive) then only the approval of the Chairman is required; if the amount exceeds NT\$30 million then it must be submitted in advance to a vote of the Board of Directors.
 - (II) The acquisition or disposal of intangible assets by the Company shall be submitted to the appropriate authority for approval as outlined above then executed by the user department, management unit or responsible unit.
 - (III) The acquisition or disposal of intangible assets shall be handled in accordance with the relevant laws, regulations and contract terms.

Article 8: Procedure for Related Party Transactions

- I. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to conducting the transaction in accordance with the procedure for acquisition of real property stated in Article 5, it must also ensure that procedure for resolutions and the assessment on the reasonableness of the transaction conditions are conducted in accordance with the following provisions. If the transaction amount exceeds 10 percent of the Company's total assets then an appraisal report from a professional appraiser or a CPA's opinion must be obtained in accordance with the provisions of Article V. The determination of whether the transaction counter-party is a related party shall not only be based on the letter of the law but also take the actual relationship into consideration.
- II. Assessment and operating procedure:

When the Company intends to acquire or dispose of real property from or to a related party, or where the transaction amount for the acquisition or disposal of assets other than real property from or to a related party reaches 20% of the Company's paid-in capital, 10% of the total assets, or exceeds NT\$300 million, then except for the 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, the following information shall be submitted to the Board of Directors for approval before the contract can be signed and payment made:

 - (I) The purpose, necessity, and anticipated benefit from the acquisition or disposal of the asset.
 - (II) The reason for choosing the related party as the trading counter-party.
 - (III) For the acquisition of real property from a related party, the reasonableness of the transaction must be appraised in accordance with Paragraph 3, Sub-paragraphs (I) and (IV) of this Article.
 - (IV) The date and price at which the asset was originally acquired by the related party, the transaction counter-party, as well as their relationship with the Company and the related party.
 - (V) Monthly cash flow forecasts for the year commencing from the

anticipated month of contract signings. The necessity of the transaction and reasonableness of fund utilization shall also be evaluated.

- (VI) Appraisal report issued by professional appraiser or CPA opinion obtained in accordance with the preceding article.
- (VII) Restrictions on this transaction and any other related important stipulations.

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in preceding paragraph, and the transaction amount will reach 10 percent or more of the public 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 public company and its parent company or subsidiaries or between its subsidiaries

III. Evaluating the reasonableness of the transaction costs

(I) The reasonableness of transaction costs for the acquisition of real property from a related party by the Company shall be evaluated using the following means:

1. Based on the related party's transaction plus the necessary interest on funding and the statutory costs to be 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; 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; the actual cumulative amount loaned by the financial institution needs to have been 70 percent 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. This shall not apply where the financial institution is a related party of one of the trading counter-parties.

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

(III) When the Company is acquiring real property from a related party, the cost of the real property shall be appraised in accordance with Article 3, Sub-paragraphs (I) and (II) of this Article. The CPA shall also be asked to review the appraisal and issue a specific opinion.

(IV) Acquisition of real estate or usage rights thereof from a related party in accordance with Article 3, Sub-paragraphs (I) and (II) of this Article are all lower than the transaction price, the matter shall be handled in accordance with Paragraph 3, Sub-paragraph (V) of this Article. This does not apply in the following circumstances where objective evidence can be provided and specific opinions on reasonableness are issued by the real property appraiser and CPA:

1. Where the related party acquired or rented undeveloped land before construction can provide evidence satisfying any of the following conditions:

(1) When undeveloped land assessed using the method specified in

Paragraph 3, Sub-paragraphs (I) and (II) of this Article, and structures are assessed using the cost of construction to the related party plus reasonable construction profit, and the sum of the two exceeds the actual transaction price. “Reasonable construction profit” shall be the average gross operating profit margin of the related party's construction division over the last 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.

(2) Completed transaction by unrelated party within the preceding year involving other floor of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are considered similar after accounting for reasonable price discrepancies due to floor or regional differences in accordance with standard property market or leasing practices. .

(3) Leases by unrelated parties for other floors of the same property within the past year with similar transaction terms after accounting for reasonable differences in floor pricing in line with accepted real property transaction practices.

2. Real estate property purchased or usage rights thereof leased or acquired from related party that involved comparable terms and sizes to other transactions in the neighboring district by non-related parties in the past year.

“Completed transactions in the neighboring region” in principle refers to parcels on the same or an adjacent block and within 500 meters of the transaction object, or with a similar government assessed land value; “Similar area” refers to completed transactions with non-related parties where the area is no less than 50% of the transaction object; the one-year timeframe mentioned above dates back one year from the date the real estate or usage rights thereof is acquired.

(V) When the Company seeks to acquire real property or usage rights thereof from a related party, if the results of the appraisals conducted in accordance with Article 3, Sub-paragraphs (I) and (II), (III) of this Article are all 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. This may not be distributed or used for capital increase or the issuance of bonus shares. If a public company is using the equity method to account for its investment in the Company, then the special reserve required under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata proportional to its shareholding.

2. Actions taken in accordance with Article 3, Sub-paragraphs (V), Items (1) and (2) of this Article shall be reported to the shareholders meetings. The details of the transaction shall also be disclosed in the annual report and prospectus. Special reserves that the Company and equity-accounted investees (public companies) have provided according to the above can only be taken to offset losses on devaluation of assets acquired or rented at high price upon disposal or lease termination, or to compensate or restore assets to their original conditions, or for other rational purposes

supported by evidence and approval of the Financial Supervisory Commission.

- (VI) When the Company acquires real property from a related party, it only needs to comply with Paragraphs 1 and 2 of this Article on rules governing appraisals and operating procedures if any of the following circumstances apply and shall be exempt from the rules relating to assessing the reasonableness of transaction costs under Paragraph 3, Sub-paragraphs (I), (II) and (III) of this Article:
1. The related party acquired the real property 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 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 the engaging of a related party to carry out construction on the land owned or rented by the Company.
 4. Acquisition of operating real estate property or usage rights thereof between the Company and its subsidiary, or between subsidiaries in which the Company holds 100% direct or indirect ownership interest.
- (VII) If there is other evidence to indicate that the Company's acquisition of real property from a related party did not conform to customary business practices this shall be handled in accordance with Paragraph 3, Sub-paragraph (V) of this Article.

Article 9: Procedure for the Acquisition or Disposal of Derivatives

I. Transaction principles and policy

(I) Transaction types

1. Derivatives traded by the Company refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from transaction contracts for assets, interest rates, foreign exchange rates, indexes or other interests.
2. Transactions involving bonds with repurchase and resale agreements are exempt from the provisions of this procedure.

(II) Business (Hedging) strategy

The Company shall engage in derivatives trading for hedging only and not for the generation of profits. Products shall be selected to avoid risks generated by the business activities of the Company. The currencies held must be consistent with the actual foreign currencies used by the Company for international trade. The Company's overall internal position (i.e. foreign currency income and expenditure) should in principle be self-balancing so that the Company's overall foreign exchange risk and foreign exchange conversion costs can all be reduced. Other transactions for specific purposes must be carefully assessed and submitted to the Board of Directors for approval before they can take place.

(III) Division of responsibilities

1. Financial department

(1) Trading personnel

- A. The Chairman appoints derivative transaction executors, whose responsibilities are to formulate financial instrument trading

- strategies for the Company.
- B. An assessment shall be conducted by trading personnel every week. For hedge transactions an assessment shall be conducted at least twice every month. The position shall be periodically calculated and market intelligence gathered to determine current trends and evaluate risks. A trading strategy shall then be formulated to serve as the basis for transactions.
 - C. Transactions shall be conducted in accordance with the given authority and approved strategy.
 - D. If the trading personnel decides that the approved strategy is no longer suitable due to major changes in the financial market, an assessment report shall be submitted as necessary and a new strategy developed. Once the new strategy has been approved by the Chairman, it may serve as the basis for transactions.
- (2) Accounting personnel
 - A. Confirmation of transactions.
 - B. Review transactions to see if they adhered to the given authority and approved strategy.
 - C. Conduct monthly assessments and submit the report to the Chairman.
 - D. Account-keeping.
 - E. Make reports and announcements in accordance with FSC regulations.
 - (3) Settlement personnel: Conduct settlements.
 - (4) Authorization for derivatives
 - A. For hedge transactions, the Chairman is authorized to approve individual transactions of NT\$80 million or less. The completed transaction shall then be reported to the next Board of Directors meeting.
 - B. Other transactions for specific purposes must be carefully assessed and submitted to the Board of Directors for approval before they can take place.
2. Audit unit
- Once the Company is publicly traded and an audit unit has been established, the audit unit shall be responsible for checking the appropriateness of the internal controls for derivatives trading, audit the trading department's compliance with the operating procedure, and analyze the transaction cycle to prepare an audit report. Material violations shall be reported to the Board of Directors.
3. Performance evaluation
- (1) Hedge transactions
 - A. Evaluate performance based on the exchange rate cost on the Company's books and the profit & loss generated by derivatives trading.
 - B. The Company shall evaluate profit and loss on a monthly basis to ensure a full picture and presentation of transaction risks.
 - C. The financial department shall provide the assessment of the foreign currency position, foreign exchange market trend and market analysis to the Chairman for management reference and guidance.

(2) Special transactions

Performance evaluation shall be based on the actual profit and loss. Financial personnel must also regularly compile reports on the current position for management reference.

4. Setting of total contract amount and loss ceilings

(1) Total contract amount

A. Limit for hedge transactions

The financial department shall keep track of the Company's overall position to avoid transaction risk. The maximum amount of hedge transactions is capped at the Company's overall net position.

B. Special transactions

The financial department may develop strategies as required based on forecasts of market changes. These must be submitted to the Chairman for approval before implementation. The total contract amount of the Company's net position on special transactions shall be capped at US\$10 million. Those that exceed the above amount may only be carried out with the consent of the Board of Directors and in accordance with policy-level instructions.

(2) Setting of loss ceilings

A. For hedge transactions, the contract losses on individual and all contracts may not exceed 20% of the contract amount. The President shall be notified immediately if total contract position accumulates losses above 10%, so that response measures can be discussed and executed with the Chairman's approval. These losses also have to be reported during the upcoming board of directors meeting.

B. For special-purpose transactions, individual contract loss is capped at US\$300,000, whereas total contract losses are capped at 20% of total contract sum. The President shall be notified immediately if total contract position accumulates losses above 10%, so that response measures can be discussed and executed with the Chairman's approval. These losses also have to be reported during the upcoming board of directors meeting.

II. Risk management measures

(I) Credit risk management

The volatility of the market increases the risk for derivatives trading so the following market risk management principles shall be followed:

1. Counter-party: Mainly well-known domestic and foreign financial institutions.
2. Product: Limited to products offered by well-known domestic and foreign financial institutions.
3. Transaction amount: The amount of offsets against a single counter-party may not exceed 50% of the total authorized amount without the approval of the General Manager.

(II) Market risk management

Mainly public foreign exchange markets provided by banks. The futures market will not be considered for now.

(III) Liquidity risk management

To ensure market liquidity, higher liquidity (can be covered on the market at any time) shall be preferred when selecting financial products. The financial

institution entrusted with the transaction must possess sufficient information and the ability to conduct transactions in any market at any time.

(IV) Cash flow risk management

To ensure the stability of the Company's cash flow, only self-owned funds may be used for derivatives trading. The amount traded shall take into consideration the cash flow requirements over the next three months.

(V) Operating risk management

1. Compliance with the Company's credit limits and procedures shall be enforced to prevent operating risk.
2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement. This requirement can be waived if the financial department is not yet properly organized.
3. Risk assessment, monitoring and control personnel shall in principle come from a department different to personnel mentioned in the preceding item. They shall also report to the Board of Directors or senior management not responsible for trading or position decisions. This requirement can be waived if the Company is not yet properly organized.
4. Derivatives trading positions held shall be evaluated at least once per week. Positions for hedge trades required by business shall however be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.

(VI) Product risk management

Internal trading personnel shall possess full and correct professional knowledge of financial products. Full disclosure of risks must also be required of banks to avoid the risk of misusing financial products.

(VII) Legal risk management

Documents signed with financial institutions must undergo appropriate examination before their formal signing to prevent legal risks.

III. Internal audit system

(I) Internal auditors shall periodically check the appropriateness of the internal controls for derivatives trading. The trading department's compliance with the operating procedure for derivatives trading shall be audited on a monthly basis and the transaction cycle analyzed to prepare an audit report. Any material violations shall be reported to Independent Directors in writing.

(II) Internal auditors shall submit the audit report along with the annual review of internal audit operations to the FSC by the end of February in the following year. Corrective actions for abnormal matters must also be submitted to the FSC for its reference by the end of May of the following year.

IV. Method of periodic assessments

(I) The board of directors shall assign senior managers to the regular monitoring and evaluation of derivative trading, and thereby ensure full compliance with the Company's trading procedures while determining whether risk exposures are kept within the tolerable level. If market price evaluation shows any abnormal sign, necessary response measures shall be taken and reported in the upcoming board of directors meeting.

(II) Derivatives trading positions held shall be evaluated at least once per week. Positions for hedge trades required by business shall however be evaluated at least twice per month. Evaluation reports shall be submitted to senior

- management personnel authorized by the Board of Directors.
- V. Principles governing the monitoring and management of derivatives trading by the Board of Directors
- (I) The Board of Directors shall designate senior management personnel for the continuous monitoring and controlling of derivatives trading risk. The management principles shall be as follow:
 - 1. Periodically evaluate the suitability of current risk management measures as well as proper compliance with these Procedures and the derivatives trading procedure adopted by the Company.
 - 2. If any irregularities are discovered during the monitoring of trading, profits and losses, the necessary actions shall be taken and the Board of Directors notified immediately. If independent directors have been appointed by the Company then an independent director shall be present at the Board meeting and express an opinion.
 - (II) Periodically evaluate whether the performance of derivatives trading is consistent with the current business strategy, and whether the risks taken are still within the Company's accepted limits.
 - (III) When the Company authorizes personnel to engage in derivatives trading on its behalf in accordance with the procedure for derivatives trading adopted by the Company, this shall be reported at the next Board of Directors meeting.
 - (IV) When the Company engages in derivatives trading, a log book shall be kept detailing the type and amount of derivatives transactions, the date of approval by the Board of Directors, and the matters requiring careful evaluation under Paragraph 4, Sub-paragraph (II), and Paragraph 5, Sub-paragraphs (I) and (II) of this Article for reference.

Article 10: Procedure for Mergers, Demergers, Acquisitions and Assignment of Shares

- I. Assessment and operating procedure:
- (I) When the Company is preparing to conduct a merger, demerger, acquisition, or transfer of shares, attorneys, CPA and underwriters should be engaged to study the legal procedure and planned timetable together. A working group shall also be organized to execute the operation in accordance with the legal procedure. A CPA, attorney, or underwriter shall also be engaged to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders before the proposed operation is submitted to the Board of Directors for discussion and approval. The aforesaid requirement for an expert opinion on reasonableness may be waived if Company is conducting a merger with a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, or for a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
 - (II) The Company shall prepare a public report detailing the material conditions of the merger, demerger or acquisition and the relevant matters prior to the shareholders meeting. The report shall then be delivered shareholders along with the expert opinion referred to in Paragraph 1, Sub-paragraph (I) of this Article and the notice of shareholders meeting before the shareholders meeting to provide a reference on whether to agree to the merger, demerger

or acquisition. This requirement does not apply if other laws and regulations do not require a decision from the shareholders meeting for a 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 restrictions, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately give a public explanation of the reasons, the follow-up measures, and the preliminary date of the next shareholders meeting.

II. Other important matters

- (I) 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 other regulations apply or the FSC is notified in advance of extraordinary circumstances and has granted its consent. A company participating in a transfer of shares shall convene a board of directors meeting on the day of the transaction, unless other regulations apply or the FSC is notified in advance of extraordinary circumstances and has granted its consent.
- (II) Retention of written records: A company participating in a merger, demerger, acquisition, or transfer of another company's shares shall comply with the provisions of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” in preparing a complete written record of the involved personnel’s basic details, dates of material events, important documents and minutes. The records shall be retained for five years for reference.
- (III) Confidentiality: Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality. They 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.
- (IV) Principles for the setting or changing of the share exchange ratio or acquisition price: The companies participating in a merger, demerger, acquisition or transfer of shares shall engage a CPA, attorney or underwriter before their respective boards of directors are convened to express an opinion on the reasonableness of the share exchange ratio, acquisition price, and the issue of cash or other property to shareholders. The opinion be reported to the shareholders meetings. While arbitrary changes to the share exchange ratio or acquisition price is not permitted in principle, this does not apply if the conditions for change are defined the contract and public disclosure has already been made. The conditions for a change of share exchange ratio or acquisition price are as follow:
 - 3. 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.
 - 4. An action such as a disposal of major assets that affects the company's financial operations.

5. An event, such as a major disaster or major change in technology, that affects the parent company's rights and interests in the company or the price of securities.
 6. Where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company buys back treasury stock in accordance with the law.
 7. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 8. Other terms/conditions that can be changed under the contract and already disclosed to the public.
- (V) Contract content requirements: The contract for participation by a public company in a merger, demerger, acquisition, or of shares must not only adhere to Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act but 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 being extinguished in a merger or being split.
 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date for calculation of the share exchange ratio, and the principles for handling thereof.
 4. The manner that changes in the number of participating entities or companies shall be handled.
 5. Preliminary schedule for plan execution, and the anticipated completion date.
 6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
- (VI) Where there is a change in the number of companies participating in a merger, demerger, acquisition or transfer of shares: Once public disclosure has been made, if any company participating in the merger, demerger, acquisition, or share transfer intends to carry out a further mergers, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where there is a decrease in the number of participating companies and the shareholders meeting has adopted a resolution authorizing the Board of Directors to make such a change. In this situation the participating company may be exempted from convening another shareholders meeting to resolve on the matter anew.
- (VII) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by Paragraph 2, Sub-paragraph (I) (Date of board of directors meeting), Sub-paragraph (III) (Confidentiality), and Sub-paragraph (6) (Change in number of entities participating in a merger, demerger, acquisition or transfer of shares) of this Article.

Article 11: Quota for investment in real property or usage rights thereof and securities not for business use

The individual quota for the acquisition of the aforementioned assets by the Company and each subsidiary is as follows:

- I. The total amount of real property or usage rights thereof not for business use may not exceed 100% of net worth.
- II. Total amount of investment in long and short-term securities may not exceed the sum of net worth and long-term liabilities.
- III. The amount of investment in individual securities may not exceed 100% of net worth.

“Net worth” as referred to above shall be based on the net worth stated in the most recent CPA attested or reviewed financial report of the Company at the time of investment.

The quota for the acquisition or disposal of assets or usage rights thereof by subsidiaries shall be calculated using the net worth of the Company.

Where the financial report of the Company was prepared in accordance with the International Financial Reporting Standard, net worth in this Procedure refers to the shareholder equity of the parent company given in the balance sheet prepared in accordance with the “Regulations Governing the Preparation Reports by Securities Issuers.”

Article 12:

For appraisal reports or the opinions issued by a CPA, attorney or underwriter obtained by the Company, the author and their appraisal personnel, CPA, attorney or underwriter Compliance with the following requirements:

1. No previous violation against the Act, The Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or Regulation on Business Entity Accounting Handling, and no conviction of fraud, breach of trust, misappropriation, forgery or any crime relating to business activities resulting in a sentence of one-year imprisonment or higher. This excludes situations where three years have passed since the subject has served the sentence, endured the probation period or is pardoned of the crime.
2. Must not be related to the transaction counterparty.
3. In situations where the Company is required to obtain valuation reports from two or more professional valuers, the valuation firms or valuers shall not be related in any way.

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. Assess own professional capacity, practical experience and independence before undertaking the case.
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 appropriate and reasonable,

and that they have complied with applicable laws and regulations.

Article 13:

The acquisition or disposal of assets or usage rights thereof by the Company in accordance with the adopted procedure or other laws and regulations require the consent of the Board of Directors. When the asset transaction is submitted to the Board of Directors for discussion the opinions of each independent director shall be taken under full consideration. Their dissenting or qualified opinions and reasoning shall be recorded. Any dissenting or qualified opinions from independent directors shall be noted in the meeting minutes.

Article 14: Disclosure Procedure

The Company shall adhere to the following rules for announcements and reports:

- I. Items that shall be announced/reported, and the announcement/reporting criteria
 - (I) The acquisition or disposal of real property or usage rights thereof from or to a related party, or acquisition or disposal of assets or usage rights thereof other than real property from or to a related party where the transaction amount reaches 20% of paid-in capital, 10 percent or more of total assets, or NT\$300 million or more. This does not apply to the trading of Domestic government bonds, bonds under repurchase and resale agreements, or the subscription or redemption of currency market funds issued by domestic securities investment trust enterprises.
 - (II) Merger, demerger, acquisition, or transfer of shares.
 - (III) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the adopted procedures adopted.
 - (IV) Acquired or disposed of is equipment for business use or usage rights thereof, the trading counter-party is not a related party, and the transaction amount meets any of the following criteria:
 1. When the Company has a paid-in capital of less than NT\$10 billion and the transaction amount exceeds NT\$500 million.
 2. When the Company has a paid-in capital of NT\$10 billion or more and the transaction amount exceeds NT\$1 billion.
 - (V) Acquisition or disposal of construction real estate or right of use thereof with an unrelated party that amounts to NT\$500 million or above; or disposal of self-constructed real estate property by company with NT\$10 billion of paid-up capital or above with an unrelated party that amounts to NT\$1 billion or above. .
 - (VI) Where land is acquired under an arrangement of 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 where the counterparty is an unrelated party, and the Company expects to invest over NT\$500 million in the transaction.
 - (VII) Apart from asset transactions referred to in the preceding six sub-paragraphs, the 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 exceeds NT\$300 million are also covered. Exemptions

however apply in the following circumstances:

1. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
2. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of 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 currency market funds issued by domestic securities investment trust enterprises.

II. The above transaction amount shall be calculated as follows:

- (I) The amount of each individual transaction.
- (II) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counter-party within the preceding year.
- (III) The cumulative transaction amount of real property usage rights thereof acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
- (IV) The cumulative transaction amount of securities acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the preceding year.

"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 board of directors pursuant to the Procedures need not be counted toward the transaction amount.

III. Time limit for announcements and reporting

Where the acquisition or disposal of assets by the Company is covered by the announcement requirements and the transaction amount reaches the threshold for announcement and reporting, the announcement and report shall be made within two days starting from the date of occurrence.

IV. Announcement and reporting procedure

- (I) The relevant information shall be announced by the Company at websites designated by the FSC.
- (II) The Company shall compile monthly reports on derivatives trading by the Company and any foreign subsidiaries up to the end of the preceding month then enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- (III) When there is an error or omission in any mandatory reporting items at the time of announcement, all items shall be announced/reported again within two days of being made aware of such an error/omission.

- (IV) When the Company acquires or disposes of assets or usage rights thereof, all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions shall be retained at the company headquarters for a period of no less than 5 years unless otherwise specified by law.
- (V) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding sub-paragraph, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days starting from the date of occurrence:
 - 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:

- I. The Company shall urge subsidiaries to formulate a “Procedure for Acquisition or Disposal of Assets” in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.” Once the procedure and any amendments thereof are approved by the subsidiary’s board of director it shall be submitted to the subsidiary’s shareholders meeting for approval and adoption.
- II. The acquisition or disposal of assets by a subsidiary shall be conducted in accordance with its adopted “Procedure for Acquisition or Disposal of Assets.”
- III. Where a subsidiary is not a public company, if its acquisition or disposal of assets reach the announcement/reporting threshold set by the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” then the Company shall make the announcement/report on the subsidiary’s behalf.
- IV. Where the reporting criteria mentions "20% of paid-up capital or total asset," the term specifically refers to the paid-up capital and total assets of the Company.

For the calculation of 10 percent of total assets under this Procedure, the total assets as stated in the most recent parent company financial report or individual financial report prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” shall be used.

Transaction limits mentioned in the procedures for companies with paid-up capital above NT\$10 billion shall be calculated using equity attributable to parent company shareholders (NT\$20 billion) instead.

Article 16:

The Company shall not in principle engage in the acquisition or disposal of receivables from financial institutions. To engage in transactions involving the acquisition or disposal of receivables from financial institutions at a later date, approval must first be granted by the Board of Directors before the relevant assessment and operating procedures are formulated.

Article 17: Penalties

Company personnel that violate the provisions of this Procedure in how they handle the acquisition and disposal of assets shall be dealt with in accordance with the relevant Company personnel regulations and work rules. Disciplinary action will also be taken based on the severity of the offense.

Article 18: Implementation and amendment

The adoption, and any amendments thereof, of the “Procedure for Acquisition or Disposal of Assets” by the Company requires the majority consent of the full Audit Committee. It must then be approved by the Board of Directors and submitted to the shareholders meeting for consent.

If the majority consent of the full Audit Committee from the preceding paragraph was not granted, it may be approved by a two-thirds majority of all directors. The resolution of the Audit Committee shall also be recorded in the Board of Directors meeting minutes.

The “full Audit Committee” as used herein is defined as the number of Committee members actually in office at the given time.

When the “Procedure for Acquisition or Disposal of Assets” is submitted to the Board of Directors in accordance with the above provision, the opinions of each independent director shall be taken under full consideration. Any dissenting or qualified opinions from independent directors shall be recorded in the meeting minutes.

Article 19: Supplementary Provisions

This Procedure was formulated on June 28, 2012.

1st amendment to this Procedure was made on May 30, 2014.

2nd amendment to this Procedure was made on June 24, 2015.

3rd amendment to this Procedure was made on October 14, 2016.

4th amendment to this Procedure was made on June 15, 2017.

5th amendment to this Procedure was made on May 27, 2019.

6th amendment of the Procedures was made on July 30, 2021.

7th amendment of the Procedures was made on May 27, 2022.