

VSO ELECTRONICS CO., LTD.

Procedures for Acquisition or Disposal of Assets

(This English translation is prepared in accordance with the Chinese version and is for reference purposes only. If there are any inconsistencies between the Chinese version and this translation, the Chinese version shall prevail.)

Chapter 1: General Provisions

Article 1 (Purpose) These procedures are established to enhance asset management of the company and its subsidiaries, protect investments, and ensure transparency in information disclosure.

Article 2 (Legal Basis)

These procedures are formulated 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 Assets)

The scope of assets referred to in these procedures includes:

1. Investments such as stocks, government bonds, corporate bonds, financial bonds, securities representing funds, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities.
2. Real estate (land, buildings, investment properties) and equipment.
3. Membership certificates.
4. Intangible assets such as patents, copyrights, trademarks, and franchise rights.
5. Right-of-use assets.
6. Financial institution claims (including accounts receivable, purchased discounted notes, loans, and claims under collection).
7. Derivative products.
8. Assets acquired or disposed of through mergers, demergers, acquisitions, or share transfers pursuant to law.
9. Other significant assets.

Article 4 (Definitions)

The terms used in these procedures are defined as follows:

1. **Derivative products:** Refers to forward contracts, options, futures, margin trading contracts, and swap contracts, or combinations thereof, as well as structured products embedded with derivatives. Forward contracts exclude insurance contracts, performance contracts, after-sales service contracts, long-term leases, and long-term purchase (sales) contracts.
2. **Assets acquired or disposed of through mergers, demergers, acquisitions, or share transfers:** Refers to assets obtained or disposed of under laws such as the *Business Mergers*

and Acquisitions Act, Financial Holding Company Act, and Financial Institutions Merger Act, or pursuant to Article 156, Paragraph 3 of the Company Act.

3. **Related parties and subsidiaries:** Defined in accordance with the *Regulations Governing the Preparation of Financial Reports by Securities Issuers*.
4. **Professional appraiser:** Refers to real estate appraisers or other professionals legally authorized to appraise real estate or equipment.
5. **Date of occurrence:** Refers to the earlier of the contract signing date, payment date, transaction date, transfer date, resolution date of the board of directors, or other dates sufficient to confirm the transaction counterparty and amount. For investments requiring regulatory approval, it refers to the earlier of the above dates or the approval date.
6. **Mainland China investments:** Refers to investments or technical collaborations in Mainland China permitted by the *Regulations Governing Approval for Investment or Technical Cooperation in the Mainland Area*.
7. **Professional investors:** Includes legally established financial holding companies, banks, insurance companies, securities firms, and other regulated entities operating in financial markets.
8. **Securities exchange:** Domestic refers to the Taiwan Stock Exchange; foreign refers to any organized market regulated by the respective securities authorities.
9. **Securities dealer business premises:** Domestic refers to legally established securities dealer counters; foreign refers to premises of financial institutions permitted to conduct securities operations.

Article 5 (Appraisal Reports or Expert Opinions)

For appraisal reports or opinions obtained from accountants, attorneys, or securities underwriters in connection with asset acquisition, the professional appraisers and their personnel, accountants, attorneys, or securities underwriters must meet the following requirements:

1. Must not have been penalized by a fixed-term imprisonment of one year or more for violations of laws such as the *Securities and Exchange Act, Company Act, Banking Act, Insurance Act, or Financial Holding Company Act* involving fraud, breach of trust, embezzlement, forgery, or business-related crimes. Exceptions are made if more than three years have passed since sentence completion, suspension of sentence, or pardon.
2. Must not be related parties to the transaction counterparty or exhibit any substantial conflict of interest.
3. Where two or more professional appraisers are required, they or their personnel must not be related parties to one another or exhibit any substantial conflict of interest.

The above-mentioned personnel, when issuing appraisal reports or opinions, must adhere to their respective professional association guidelines and the following:

1. Before accepting an assignment, assess their professional competence, practical experience, and independence.
2. Properly plan and execute the evaluation process to form conclusions and prepare reports or opinions, with all procedures, data collected, and conclusions recorded in working papers.
3. Evaluate the integrity, accuracy, and reasonableness of data, parameters, and information used as the basis for appraisal reports or opinions.
4. Declare professional competence and independence, reasonableness, and accuracy of information used, and compliance with relevant regulations.

Chapter 2: Control Limits for Acquiring Non-Business-Use Real Estate and Securities

Article 6 (Aggregate Limits for Acquiring Non-Business-Use Real Estate and Securities)

The company and its subsidiaries are subject to the following limits for acquiring non-business-use real estate, right-of-use assets, or securities:

1. The aggregate amount for purchasing non-business-use real estate or right-of-use assets must not exceed 50% of the company's net worth as per the most recent CPA-audited or reviewed financial report.
2. The total amount for purchasing securities must not exceed 100% of the company's net worth, and the amount for any individual security must not exceed 20% of the company's net worth.

Investments in subsidiaries or affiliated companies, as authorized by the company's Articles of Incorporation, are exempt from the 40% cap on paid-in capital stipulated by the *Company Act*.

Chapter 3: Procedures for Asset Acquisition or Disposal

Section 1: Acquisition or Disposal of Real Estate, Equipment, or Right-of-Use Assets

Article 7 (Procedures for Real Estate, Equipment, or Right-of-Use Assets)

Evaluation and execution procedures for acquiring or disposing of real estate, equipment, or right-of-use assets are as follows:

1. **Price Determination and Reference**

The acquisition or disposal must consider public announced value, assessed value, and recent transaction prices of nearby real estate. This is done through inquiries, comparisons, negotiations, or open tendering to formulate transaction conditions, prices, and analysis reports as a reference for evaluation.

2. **Obtaining Appraisal Reports or Expert Opinions**

Except for transactions involving domestic government agencies, self-built properties, or acquisition/disposal of business-use equipment or right-of-use assets, if the transaction amount

exceeds 20% of the company's paid-in capital or NT\$300 million, professional appraisers must provide reports before the date of occurrence, subject to the following:

- If a transaction price is set for special reasons, such as fixed or restricted pricing, it must first be approved by the board of directors. Any subsequent changes to transaction terms require similar approval.
- For transactions exceeding NT\$1 billion, reports from two or more professional appraisers are required.
- If the appraisal results vary by more than 20% from the transaction amount, or if the results of two appraisers differ by more than 10%, the reasons for the discrepancy must be explained and a CPA's opinion obtained.
- Appraisal reports must be issued within three months of the contract date, but reports based on the same period's public announced value and issued within six months may be supplemented with an opinion from the same appraiser.

3. Authorization Limits and Levels

Authorization for acquisition or disposal must follow the company's *Approval Authority Guidelines*.

4. Executing Unit

The department requiring the asset, along with the administrative department, must handle acquisitions or disposals according to the approved authorization limits.

5. Transaction Process

Transactions must adhere to the company's internal control system, particularly the "Real Estate, Plant, and Equipment Cycle" procedures.

Article 8 (Procedures for Securities)

The evaluation and procedures for acquiring or disposing of securities are as follows:

1. Price Determination and Reference

Before the date of occurrence, the company must obtain the latest CPA-audited or reviewed financial statements of the target company as a reference for evaluating the transaction price:

- For securities traded on centralized markets or securities dealers' business premises, the responsible unit determines the transaction price based on market prices.
- For securities not traded on centralized markets or business premises, the price is determined considering net asset value per share, profitability, future development potential, market interest rates, coupon rates, debtor creditworthiness, and prevailing transaction prices.

2. Obtaining Appraisal Reports or Expert Opinions

- For securities transactions where the amount exceeds 20% of the company's paid-in capital or NT\$300 million, a CPA must be engaged to provide an opinion on the reasonableness of the transaction price before the date of occurrence. Exceptions

include securities with active market quotations or as otherwise stipulated by securities regulations.

- Circumstances where the engagement of a CPA is not required include:
 1. Acquiring securities issued in cash by way of incorporation or capital raising, where the rights represented by the securities align with the proportion of the investment.
 2. Subscribing to securities issued at face value for cash capital increases by the target company in compliance with relevant regulations.
 3. Subscribing to securities issued for cash capital increases by a 100% directly or indirectly held subsidiary or between wholly owned subsidiaries.
 4. Purchasing publicly traded securities on centralized markets or business premises.
 5. Acquiring domestic government bonds or bonds with buyback agreements.
 6. Purchasing public funds.
 7. Acquiring or disposing of stocks of listed companies through auction or tender procedures stipulated by the Taiwan Stock Exchange Corporation or Taipei Exchange.
 8. Participating in cash capital increases or subscribing to bonds of publicly traded domestic companies, provided the securities are not private placements.
 9. Subscribing to domestic private funds under the *Securities Investment Trust and Consulting Act* where the investment strategy is the same as for public funds.
- Transactions involving competitive bidding for newly listed or traded stocks are not exempted from CPA review if the transaction amount (or maximum bid amount) exceeds 20% of the company's paid-in capital or NT\$300 million.

3. **Authorization Limits and Levels**

The authorization for securities transactions follows the company's *Approval Authority Guidelines*.

4. **Executing Unit**

After obtaining necessary approvals, the finance and accounting unit is responsible for executing securities transactions.

5. **Transaction Process**

Securities transactions must comply with the company's internal control system, specifically the "Investment Cycle" procedures.

Section 3: Acquisition or Disposal of Intangible Assets, Right-of-Use Assets, or Membership Certificates

Article 9 (Procedures for Intangible Assets, Right-of-Use Assets, or Membership Certificates)

The evaluation and procedures for acquiring or disposing of intangible assets, right-of-use assets, or membership certificates are as follows:

1. Price Determination and Reference

The company must consider the potential benefits and market fair value of the assets. Expert opinions may be referenced if necessary, and prices are negotiated with the transaction counterparty.

2. Obtaining Appraisal Reports or Expert Opinions

For transactions involving amounts exceeding 20% of the company's paid-in capital or NT\$300 million, a CPA must provide an opinion on the reasonableness of the transaction price, except when dealing with domestic government agencies.

3. Authorization Limits and Levels

Authorization for such transactions is determined based on the company's *Approval Authority Guidelines*.

4. Executing Unit

After obtaining the necessary approvals, the user department and either the administrative or finance and accounting department execute the transaction.

5. Transaction Process

Transactions must follow the company's internal control procedures related to the "Real Estate, Plant, and Equipment Cycle."

Article 10 (Transaction Amount Calculation for the Previous Three Articles)

Transaction amounts for the previous three articles are calculated per Article 31, Paragraph 2. The term "within one year" is based on the date of the current transaction and is traced back one year. Transactions already evaluated with professional appraisal reports or CPA opinions under these procedures are exempt from recalculation.

Article 11 (Substitution for Appraisal Reports or Opinions)

When the company acquires or disposes of assets through court auctions, the court-issued documentation may substitute for appraisal reports or CPA opinions.

Article 12 (Procedures for Related Party Transactions Involving Asset Acquisition or Disposal)

When the company engages in transactions with related parties to acquire or dispose of assets, the relevant approval procedures and evaluation of transaction terms' reasonableness must comply with both **Chapter 3 (Articles 7 to 9)** and **this Chapter (Articles 12 to 16)**.

For transactions where the amount reaches 10% or more of the company's total assets, appraisal reports or CPA opinions must be obtained according to **Chapter 3 (Articles 7 to 9)**.

The calculation of transaction amounts for the above is governed by **Article 10**.

Determining whether the transaction counterparty qualifies as a related party should account for both legal form and substantive relationships.

Article 13 (Requirements for Board and Shareholder Approvals in Related Party Transactions)

For related party transactions involving the acquisition or disposal of real estate or right-of-use assets, or other assets where the transaction amount reaches 20% of the company's paid-in capital, 10% of its total assets, or NT\$300 million or more, the following steps must be completed before signing the transaction contract or making payments:

1. The purpose, necessity, and expected benefits of acquiring or disposing of the asset.
2. Reasons for selecting the related party as the transaction counterparty.
3. Relevant data evaluating the reasonableness of the proposed transaction terms, as outlined in **Articles 14 and 15**.
4. The related party's original acquisition date and price, the transaction counterparty, and their relationship with the company and the related party.
5. A cash flow projection for the next 12 months, including monthly cash inflows and outflows, and an assessment of the transaction's necessity and funding utilization.
6. Appraisal reports or CPA opinions obtained as per **Article 12**.
7. Terms and other significant matters of the proposed transaction.

For transactions between the company and its parent company, subsidiaries, or between subsidiaries in which the company directly or indirectly holds 100% of the issued shares or paid-in capital, the board may authorize the chairperson to approve transactions within certain limits. The transactions must be reported to the next board meeting for ratification. These include:

1. Acquisition or disposal of equipment or its right-of-use assets for business use.
2. Acquisition or disposal of real estate right-of-use assets for business use.

For companies with independent directors, when presenting the transaction for board discussion, the opinions of independent directors must be fully considered. If any independent director opposes or expresses reservations, it must be recorded in the meeting minutes.

If the company has established an audit committee, matters requiring acknowledgment by supervisors under the first paragraph must first be approved by at least half of the audit committee members and then resolved by the board of directors. Articles 36(4) and 36(5) of the *Securities and Exchange Act* apply mutatis mutandis.

For transactions by the company or non-public subsidiaries involving amounts reaching 10% or more of the company's total assets, shareholder approval must also be obtained unless the transaction is between the company and its parent company, subsidiaries, or between subsidiaries.

The calculation of transaction amounts follows **Article 10**, and previously approved amounts under these procedures need not be recounted.

Article 14 (Evaluation of Transaction Costs for Acquiring Real Estate or Right-of-Use Assets from Related Parties)

The company must evaluate the reasonableness of transaction costs for acquiring real estate or right-of-use assets from related parties using the following methods:

1. The transaction price of the related party, plus necessary funding costs and expenses borne by the buyer under the law. Necessary funding costs are calculated based on the weighted average interest rate of the company's loans during the acquisition year, which must not exceed the highest non-financial borrowing rate published by the Ministry of Finance.
2. If the related party has used the asset as collateral for a loan, the total appraised value of the asset as assessed by the financial institution is used. However, the actual cumulative loan amount must be at least 70% of the appraised value, and the loan duration must exceed one year. This does not apply if the financial institution is related to one of the transaction parties.

For acquisitions or leases of both land and buildings as a single property, the cost may be separately evaluated using the methods mentioned above.

The results of evaluations under the above paragraphs must be verified by a CPA, who must provide a concrete opinion.

If any of the following conditions apply, transactions are exempt from the above requirements but must comply with **Article 13**:

1. The related party acquired the asset through inheritance or as a gift.
2. The related party acquired the asset five years or more before the current transaction.
3. The transaction involves a joint construction agreement with the related party, self-construction on company-owned land, or leased land development.
4. The transaction is between the company and its parent company, subsidiaries, or between subsidiaries, involving real estate or right-of-use assets for business use.

Article 15 (Handling Transactions Where Evaluation Results Are Lower Than Transaction Prices)

If the evaluation results under **Article 14** are lower than the transaction price, the company must

proceed as follows, except in cases supported by objective evidence and reasonable opinions from professional real estate appraisers and CPAs:

1. If the related party acquired the land as bare land or leased the land for development, the following conditions must be met:
 - The bare land is evaluated according to **Article 14**, and the building cost is calculated based on the related party's construction costs plus a reasonable construction profit. The total cost must exceed the actual transaction price. Reasonable construction profit is based on the lower of the average gross margin for the construction division of the related party over the last three years or the most recent gross margin rate for the construction industry published by the Ministry of Finance.
 - For similar real estate transactions within one year involving non-related parties in the same property or nearby properties, the transaction price is comparable after adjusting for differences in floor levels, area, and conditions per common real estate trading practices.
2. If the company can provide evidence that the terms of the transaction, including prices, are comparable to non-related party transactions involving similar properties within one year in the same or neighboring area.

The term "similar properties in the same or neighboring area" refers to properties in the same or adjacent blocks within a 500-meter radius or with similar announced values. "Similar size" means the transaction area of the comparable property must not be less than 50% of the transaction area of the subject property. "Within one year" refers to a period of one year traced back from the date of the transaction.

Article 16 (Required Actions for Transactions With Higher Prices Than Evaluations)

If the company acquires real estate or right-of-use assets from related parties and the evaluation results under **Articles 14 and 15** are lower than the transaction price, the company must:

1. Allocate a special reserve under Article 41, Paragraph 1 of the *Securities and Exchange Act* for the price difference between the transaction price and the evaluation results. This reserve cannot be distributed or capitalized. If the investor evaluates the company using the equity method and is a public company, it must also allocate a proportional special reserve.
2. The supervisors must handle the matter under Article 218 of the *Company Act*. If the company has established an audit committee, the provisions apply to independent directors in the audit committee.
3. Report the handling of the preceding two items to the shareholders' meeting and disclose the detailed transaction information in the annual report and prospectus.

The special reserve allocated under the preceding paragraph may only be utilized after the high-priced purchased or leased assets have been accounted for through impairment loss recognition, disposal, termination of lease, or other appropriate compensation, and approval from the regulatory authority has been obtained.

If other evidence indicates that the transaction does not comply with normal business practices, the company must also proceed according to the provisions above.

Article 17 (Procedures for Financial Institution Claims)

The company generally does not engage in the acquisition or disposal of financial institution claims. If the company intends to undertake such transactions in the future, it must first obtain board approval and establish corresponding evaluation and operational procedures.

Section 6: Transactions Involving Derivative Products

Article 18 (Principles and Guidelines for Derivative Product Transactions)

The principles and guidelines for the company's derivative product transactions must include the following elements:

- 1. Transaction Types**

The derivative products referenced are those defined in **Article 4, Item 1**.

- 2. Management or Hedging Strategies**

Derivative transactions are restricted to hedging purposes only and are based on the company's net exposure from accounts receivable and payable (e.g., foreign currency income and expenditure) or foreign-currency-denominated assets and liabilities. The aim is to reduce the overall exchange rate fluctuation risks and save foreign exchange operating costs.

- 3. Responsibilities and Authority**

- **Traders:** Responsible for executing transactions within authorized limits through approved financial institutions, as well as compiling and maintaining transaction documentation. Traders cannot concurrently serve as confirmation or settlement personnel.
- **Confirmation Personnel:** Responsible for verifying transaction details, including currency, amount, and settlement date, against the company's financial status. They must not concurrently serve as traders.
- **Settlement Personnel:** Responsible for verifying and processing settlement after confirmation. They must not concurrently serve as traders.

- 4. Authorization Levels and Limits**

Authorization levels and limits for derivative transactions must follow the company's *Approval Authority Guidelines*.

5. Performance Evaluation

- **Hedging Transactions:**
 1. Evaluate performance based on the gains and losses resulting from hedging transactions compared to the company's book exchange rates.
 2. Regular evaluations should be conducted in accordance with **Article 19, Item 2**.
 3. Financial and accounting departments must provide evaluations of foreign exchange positions and market trends to the chairperson for management reference.
- **Non-Hedging Transactions:**

The company strictly limits derivative transactions to hedging purposes and does not engage in speculative trading.

6. Contract Amounts and Loss Limits

- **Contract Amounts:** Aggregate hedging contracts must not exceed the net foreign exchange exposure expected over the next six months.
- **Loss Limits:** Losses for individual or aggregate contracts must not exceed 50% of the contract amount.

Article 19 (Risk Management and Regular Assessments for Derivative Transactions)

The company's derivative product transactions are subject to the following risk management measures:

1. Risk Management Scope and Measures

- **Credit Risk Management:** Limit counterparties to reputable domestic and international financial institutions with the ability to provide professional information.
- **Market Risk Management:** Ensure transparency in market pricing, and exclude the use of futures markets.
- **Liquidity Risk Management:** Prioritize highly liquid derivative products that can be easily liquidated in the market. Counterparties must have the capability to conduct transactions across various markets.
- **Cash Flow Risk Management:** Derivative transactions must use company-owned funds, considering cash flow needs for the next three months.
- **Operational Risk Management:**
 1. Follow the company's authorization limits and internal procedures, ensuring compliance with internal audit mechanisms.
 2. Assign separate roles to transaction execution, confirmation, and settlement personnel.
 3. Risk monitoring personnel must operate independently of those executing or managing transaction positions and report to the board or senior management not directly involved in trading decisions.

4. Conduct regular reconciliations with banks and verify compliance with transaction limits.
 - **Legal Risk Management:** Contracts and transaction terms involving legal matters must be reviewed by legal counsel to ensure validity. Documentation of counterparties' authorization must also be maintained.
2. **Regular Evaluations and Handling Abnormalities**
 - The board must authorize senior management to supervise and evaluate whether derivative transactions comply with established procedures, employ appropriate risk management measures, and remain within the allowable risk tolerance. If irregularities such as exceeding loss limits occur, they must be reported immediately to the board with appropriate corrective measures.
 - Positions in derivative transactions must be evaluated at least weekly, while hedging transactions for business purposes must be evaluated at least twice a month. Evaluation reports should be submitted to the authorized senior management.
 - When conducting evaluations, traders must calculate positions, gather market information, analyze trends, and assess risks to develop operational strategies as the basis for transactions. If there are significant changes in the financial markets or if traders determine that the established strategy is no longer applicable, they must immediately submit an evaluation report and revise the strategy as the new basis for transactions.

Article 20 (Board Oversight of Derivative Transactions)

The board of directors is responsible for overseeing derivative transactions based on the following principles:

1. Designate senior management to monitor and control transaction risks.
2. Regularly evaluate the performance of derivative transactions to ensure alignment with business strategies and acceptable risk levels.

Senior management authorized by the board must:

1. Periodically assess the appropriateness of risk management measures and ensure compliance with both the *Regulations Governing the Acquisition and Disposal of Assets by Public Companies* and these procedures.
2. Monitor transactions and financial results. If irregularities are found, they must take corrective actions and report immediately to the board. Independent directors must attend and express their opinions at such board meetings.

Transactions conducted under delegated authority must be reported to the next board meeting for acknowledgment.

Article 21 (Internal Control and Audit for Derivative Transactions)

1. **Record-Keeping Requirements**

The company must establish a logbook to document the details of derivative transactions, including the types of derivatives, transaction amounts, board approval dates, and matters subject to careful evaluation as outlined in **Article 19(2)(2)**, **Article 20(1)(2)**, and **Article 20(2)(1)**. These records must be maintained for reference.

2. **Internal Audit Responsibilities**

Internal auditors must periodically review the adequacy of internal controls for derivative transactions. Additionally, they must audit the compliance of the transaction units with the derivative transaction procedures on a monthly basis. Audit reports must be prepared, and if significant violations are discovered, they must be reported in writing to the supervisors.

3. **Applicability to the Audit Committee**

If the company has established an audit committee, the responsibilities outlined in the second paragraph regarding supervisors shall apply mutatis mutandis to the audit committee.

Section 7: Mergers, Demergers, Acquisitions, and Share Transfers

Article 22 (Procedures for Mergers, Demergers, Acquisitions, or Share Transfers)

When the company undertakes mergers, demergers, acquisitions, or share transfers, it must comply with the relevant provisions of the *Company Act*, *Business Mergers and Acquisitions Act*, *Securities and Exchange Act*, and other applicable laws, as well as the following procedures:

1. **Evaluation and Execution Procedures**

The company should engage legal counsel, accountants, and underwriters to jointly develop a legally compliant schedule. A project team should be organized to execute the procedures according to the legal requirements.

2. **Method of Determining Transaction Consideration and Reference**

In handling mergers, demergers, acquisitions, or share transfers, the company must consider the financial and operational conditions of participating companies in the past and future, potential synergistic benefits, and methods ensuring fair market prices for the transaction. Professional opinions from accountants, legal counsel, or underwriters must be referenced to negotiate transaction prices with counterparties.

3. **Obtaining Expert Opinions**

Before the board resolves on a merger, demerger, acquisition, or share transfer, the company must engage accountants, legal counsel, or underwriters to provide opinions on the

reasonableness of the share exchange ratio, acquisition price, or cash or other assets distributed to shareholders. These opinions must be submitted to the board for discussion and approval. However, if the transaction involves a merger between the company and a wholly owned subsidiary or between two wholly owned subsidiaries, obtaining these expert opinions is not required.

4. **Authorization and Decision-Making Levels**

Decision-making levels for mergers, demergers, acquisitions, or share transfers must follow the company's *Approval Authority Guidelines*. Related resolutions must also comply with the requirements of the *Company Act*, *Business Mergers and Acquisitions Act*, *Securities and Exchange Act*, and other applicable regulations.

Article 23 (Submission of Key Information to Shareholders and Public Disclosure)

For mergers, demergers, or acquisitions, the company must prepare and deliver key information to shareholders prior to the shareholders' meeting. This includes the essential terms of the transaction, supporting details, expert opinions under **Article 22(3)**, and the shareholders' meeting notice, allowing shareholders to decide on the proposal. Transactions exempted from shareholder approval under other laws are not subject to this provision.

If any party to the merger, demerger, or acquisition fails to convene, resolve, or approve the proposal due to insufficient quorum, voting rights, or legal restrictions, or if the proposal is rejected by a shareholders' meeting, the company must publicly disclose the reasons, follow-up actions, and the date of the next shareholders' meeting.

Article 24 (Dates for Board and Shareholders' Meetings)

Unless otherwise provided by law or approved by the competent authority for special circumstances, the company and other parties to the merger, demerger, or acquisition must convene board and shareholders' meetings on the same day to resolve the relevant matters.

For share transfers, the company and counterparties must convene board meetings on the same day unless otherwise provided by law or approved for special circumstances.

The company must maintain complete written records of the following for five years for future audits:

1. Basic personnel information, including the job titles, names, and identification numbers (or passport numbers for foreign nationals) of all persons participating in or executing the merger, demerger, acquisition, or share transfer plans before public disclosure.
2. Key dates, including signing memoranda of understanding, engaging financial or legal advisors, signing contracts, and board meetings.
3. Significant documents and minutes, including the merger, demerger, acquisition, or share transfer plan, memoranda of understanding, key contracts, and board meeting minutes.

If the company is publicly listed or traded on the securities market, it must submit the information in the first two items above to the competent authority via its online system within two days after the board resolution.

If the transaction involves non-public companies, the company must enter into agreements with them to ensure compliance with these requirements.

Article 25 (Confidentiality and Insider Trading Prevention)

All individuals participating in or aware of the company's merger, demerger, acquisition, or share transfer plans must sign a written confidentiality agreement. Prior to the public disclosure of the transaction, the content of the plan must not be disclosed to external parties, nor may any party engage in the purchase or sale of stocks or other equity-related securities of any company involved in the merger, demerger, acquisition, or share transfer, either in their own name or through others.

Article 26 (Conditions for Adjusting Exchange Ratios or Acquisition Prices)

The exchange ratio or acquisition price in a merger, demerger, acquisition, or share transfer must not be arbitrarily adjusted except under the following circumstances, which must be stipulated in the agreement:

1. Issuance of cash dividends, stock dividends, convertible bonds, or stock warrants, or other equity-related securities.
2. Disposal of significant assets that impact financial or business operations.
3. Occurrence of significant disasters, technological breakthroughs, or other events materially affecting shareholders' equity or security prices.
4. Changes in treasury stock repurchase quantities by any company involved in the transaction.
5. Adjustments due to the increase or decrease in the number of participating entities.
6. Other conditions specified in the contract that have been publicly disclosed.

Article 27 (Mandatory Provisions in Contracts for Mergers, Demergers, Acquisitions, or Share Transfers)

The contracts for mergers, demergers, acquisitions, or share transfers must clearly specify the rights and obligations of the participating entities, including the following:

1. Handling of breaches of contract.
2. Treatment of equity-related securities issued or treasury stocks repurchased by dissolved or demerged entities.
3. Quantities and handling methods for treasury stocks repurchased after the base date for calculating the exchange ratio.
4. Handling of changes in the number of participating entities.

5. Expected progress of the plan and estimated completion schedule.
6. Procedures for convening a shareholders' meeting if the plan exceeds the expected timeline or if otherwise required by law.

Article 28 (Changes in the Number of Participating Entities)

If, after public disclosure of a merger, demerger, acquisition, or share transfer, any of the participating entities plans to merge, demerge, acquire, or transfer shares with another entity, the following applies:

1. If the number of participating entities decreases and the shareholders have authorized the board to make adjustments, no further shareholders' meeting is required.
2. Any actions or legal processes already completed in the original transaction must be redone by all participating entities.

Article 29 (Provisions for Non-Public Companies in Transactions)

If any participating entity in a merger, demerger, acquisition, or share transfer is a non-public company, the company must enter into an agreement with the non-public company and ensure compliance with **Articles 24, 25, and 28**.

Section 8: Supervision of Subsidiaries

Article 30 (Control Procedures for Subsidiary Transactions)

The company must ensure that each subsidiary establishes procedures for the acquisition or disposal of assets in compliance with the *Regulations Governing the Acquisition and Disposal of Assets by Public Companies*. These procedures must be approved by the subsidiary's board of directors, submitted to its supervisors, and presented to its shareholders' meeting for approval. The same applies to any amendments.

1. If the subsidiary is not a public company, its asset acquisition or disposal must follow these procedures, and it is not required to establish separate procedures.
2. Asset acquisition or disposal by subsidiaries must be approved by the company's board of directors before execution, in accordance with either the subsidiary's established procedures or these procedures.
3. Subsidiaries must provide a summary report to the company by the 5th day of each month detailing derivative product transactions conducted during the preceding month. These reports must be retained for the company's records and used for public announcements or disclosures as required.
4. Subsidiary internal auditors must include asset acquisition or disposal operations in their annual audit plans. They must also perform monthly audits of derivative product transactions. If significant violations or irregularities are discovered, they must immediately notify the

company's internal audit unit in writing. The company's internal audit unit must forward the relevant materials to the company's supervisors and monitor subsequent corrective actions.

5. When subsidiaries are required to obtain expert opinions as per **Articles 7 to 9** or conduct related party transactions as per **Article 12**, the applicable standards for determining transaction thresholds must be based on the subsidiary's paid-in capital or total assets.
6. For non-public subsidiaries of the company, the company must handle any required public announcements or disclosures regarding asset acquisitions or disposals in compliance with **Article 33**.
7. If the company has established an audit committee, the responsibilities outlined for supervisors in Paragraph 5 shall apply mutatis mutandis to the audit committee.

Chapter 4: Information Disclosure

Article 31 (Information Disclosure and Reporting Procedures After Public Listing)

After the company's shares are publicly listed, acquisitions or disposals of assets under the following circumstances must be disclosed and reported on the competent authority's designated website within two days from the date of occurrence, using the prescribed format:

1. Acquisitions or disposals of real estate or right-of-use assets from or to related parties, or other assets, where the transaction amount reaches 20% of the company's paid-in capital, 10% of its total assets, or NT\$300 million. This excludes transactions involving the purchase or sale of domestic government bonds, bonds with repurchase or reverse repurchase agreements, or money market funds issued by domestic securities investment trust companies.
2. Mergers, demergers, acquisitions, or share transfers.
3. Losses from derivative product transactions reaching the limits set for individual or aggregate contracts under these procedures.
4. Acquisitions or disposals of business-use equipment or right-of-use assets, where the transaction counterparty is not a related party and the transaction amount reaches NT\$500 million.
5. For publicly listed companies engaging in the construction business, acquisitions or disposals of real estate or right-of-use assets for construction use with a transaction counterparty that is not a related party, where the transaction amount reaches NT\$500 million. For companies with paid-in capital exceeding NT\$10 billion, disposals of completed self-constructed projects with non-related parties must be disclosed when the transaction amount reaches NT\$1 billion.
6. Acquisitions of real estate through joint construction arrangements, leased land development, or similar methods, where the company's investment exceeds NT\$500 million and the counterparty is not a related party.

7. Asset transactions, disposal of financial institution claims, or investments in Mainland China, where the transaction amount reaches 20% of the company's paid-in capital or NT\$300 million. However, the following transactions are excluded:
 - Purchases or sales of domestic government bonds or foreign government bonds with credit ratings not lower than Taiwan's sovereign rating.
 - Investments in publicly traded securities conducted by professional investors on centralized markets, business premises, or primary markets.
 - Purchases or sales of bonds with repurchase agreements, or purchases or redemptions of domestic money market funds.

Transaction Amount Calculation:

Transaction amounts under this article are calculated as follows:

1. For individual transactions, the amount of the single transaction.
2. Cumulative transactions within one year with the same counterparty for assets of the same nature.
3. Cumulative acquisitions or disposals within one year of real estate or right-of-use assets related to the same development project (calculated separately for acquisitions and disposals).
4. Cumulative acquisitions or disposals within one year of the same security (calculated separately for acquisitions and disposals).

The term "one year" is defined as a period of 12 months traced back from the date of the current transaction. Transactions that have already been disclosed and reported under these procedures are excluded from the calculation.

The company must also provide monthly reports to the competent authority on derivative transactions conducted by the company and its non-public subsidiaries up to the end of the previous month. Reports must be submitted by the 10th day of each month in the prescribed format.

If errors or omissions are found in the disclosed information, corrections must be made within two days of discovery.

The company must retain relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions from accountants, attorneys, or underwriters for at least five years unless otherwise stipulated by law.

Article 32 (Disclosure of Changes After Reporting)

If any of the following events occur after a transaction has been disclosed, the company must report the relevant information on the competent authority's designated website within two days of the event:

1. Changes, termination, or cancellation of the related contracts.
2. Failure to complete a merger, demerger, acquisition, or share transfer by the scheduled date.
3. Changes in the originally disclosed information.

Article 33 (Disclosure by Non-Public Subsidiaries)

For non-public subsidiaries of the company, any transactions that meet the disclosure requirements of **Articles 31 and 32** must be reported by the company.

For disclosure thresholds based on paid-in capital or total assets, the parent company's figures are used for non-public subsidiaries.

Chapter 5: Supplementary Provisions

Article 34 (Definitions and Calculation Standards)

For the purpose of determining "10% of total assets" as mentioned in these procedures, the calculation must be based on the total asset amount listed in the most recent standalone or individual financial report prepared according to the *Regulations Governing the Preparation of Financial Reports by Securities Issuers*.

If the company's shares have no par value or if the par value per share is not NT\$10, any transaction amount requirements tied to "20% of paid-in capital" specified in these procedures must instead be calculated as 10% of the equity attributable to owners of the parent company.

Article 35 (Penalties)

Employees of the company who violate these procedures when handling the acquisition or disposal of assets will be subject to disciplinary actions or job reassignment as per the company's personnel management policies. If the violation causes a loss to the company, the responsible employees must also bear liability for damages.

Article 36 (Implementation and Amendments)

These procedures, and any amendments thereto, must be approved by the board of directors and submitted to the supervisors, then presented to the shareholders' meeting for approval. If any director expresses dissent, and such dissent is recorded in meeting minutes or presented in writing, the company must submit the dissenting opinions to the supervisors.

If the company has established independent directors in accordance with the *Securities and Exchange Act*, the independent directors' opinions must be fully considered when discussing these procedures at board meetings. Any objections or reservations expressed by independent directors must be recorded in the meeting minutes.

If the company has established an audit committee in accordance with the *Securities and Exchange Act*, the adoption or amendment of these procedures must be approved by at least half of the members of the audit committee and then resolved by the board of directors before submission to the shareholders' meeting. If the procedures are not approved by at least half of the audit committee members, they may still be approved by at least two-thirds of all directors and subsequently submitted to the shareholders' meeting, with the audit committee's resolution noted in the board meeting minutes.

The "all members of the audit committee" and "all directors" referenced in the preceding paragraph are calculated based on the actual number of members in office.