

Procedures for the Acquisition or Disposal of Assets of Cathay Financial Holding Co., Ltd.

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Chapter 1 General provisions

Article 1 These Rules are established in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies established by the Financial Supervisory Commission ("the FSC").

The Company shall handle the acquisition or disposal of assets in compliance with this Rules. However, when other laws, administrative regulations, rules, orders and regulations of the competent authority provide otherwise, such provisions shall govern.

Article 2 These Rules apply to the following asset categories:

- A. Investments in shares, government bonds, corporate bonds, financial bonds, securities that represent fund entitlements, depository receipts, call (put) warrants, beneficial securities, and asset-backed securities.
- B. Real estate (including land, houses and buildings, investment property, land use rights) and equipment.
- C. Memberships.
- D. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- E. Lease assets.
- F. Financial institutions claims (including receivables, bills purchased and discounted, loans and overdue receivables).
- G. Derivatives.
- H. Assets legally acquired or disposed of through mergers, splits, acquisitions or assignment of shares.
- I. Other major assets.

Article 3 Terms used in these Rules are defined as follows:

- A. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; contract combining the above; compound contracts or structured products containing embedded derivatives.

"Forward contracts" as used herein does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts and long-term purchase (sales) contracts.

- B. Assets legally acquired or disposed of through mergers, splits, acquisitions or assignment of shares. Refers to assets acquired or disposed of through mergers, splits, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or through an arrangement whereby new shares are issued in exchange for another company's shares (i.e. assignment of shares) under Paragraph 8, Article 156-3 of the Company Act.
- C. Related parties or subsidiaries: As defined in the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies.
- D. Professional appraiser: Refers to a real estate appraiser or anyone who is permitted by law to perform valuation of real estate properties and equipment.
- E. Date of occurrence: Refers to, the earliest of, the signing date, payment date, deal date, date of ownership transfer, the Board of Directors' resolution date or any other dates when the transaction counterparty and the amount can be verified with certainty. For investments that require the approval of the competent authority, the date of occurrence shall be determined as the earlier between the above dates and the date approved by the competent authority.
- F. Investment in the Mainland China area: Refers to investments in the Mainland China area conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area announced by the Investment Commission of the Ministry of Economic Affairs.
- G. Professional Institution: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, which are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- H. Stocks exchanges: Domestic stock exchange refers to the Taiwan Stock Exchange Corporation; foreign stock exchange refers to any organized stock exchange market that is regulated by the competent authorities of the jurisdiction where it is located.
- I. Over-the-counter markets ("OTC"): Domestic OTC markets refers to a market for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; foreign OTC markets refers to a market at a financial institution that is regulated by the foreign competent securities authority and that is permitted to conduct securities business.
- J. Stakeholder as defined in the Financial Holding Company Act: Refers to a stakeholder as defined in Article 45 of the Financial Holding Company Act.

Article 4 Professional appraisers and their officers, accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- A. May not have previously received a final and unappeasable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a

pardon was received.

- B. May not be a related party or de facto related party of any party to the transaction.
- C. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-discipline standards of their affiliated associations and also the following:

- A. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- B. When executing a case, they shall appropriately plan and execute adequate working procedures, in order to form a conclusion and use the conclusion as the basis for issuing the report or opinion. The related implementation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- C. 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.
- D. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and appropriate, and that they have complied with applicable laws and regulations.

Article 5 The scope and amount of acquisition and disposal of assets of the Company is handled in accordance with the Financial Holding Company Act and related interpretations.

Article 6 The scope and amount of acquisition and disposal of assets of the Company's subsidiaries are handled in accordance with the laws and regulations of their industry type and the Company's Rules for Handling the Acquisition or Disposal of Assets.

Chapter 2 Rules

Section 1 Appraisal and Operating Rules

Article 7 In acquiring or disposing of real estate, equipment, or its lease assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging in the development of its own land, engaging in the development of leased land, or acquiring or disposing of equipment or its lease assets held for business use, shall obtain an appraisal report from a professional appraiser prior to the date of occurrence of the event and shall further comply with the following provisions:

- A. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval to the Board of Directors in advance; the same shall apply whenever there is any subsequent change to the terms and conditions of the transaction.
- B. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained provided that the different professional appraisers or appraisal officers may not be related parties of each other.
- C. 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, and render a

specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

1. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 2. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- D. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract establishment date. However, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion must still be issued by the original professional appraiser.

Article 8 In case of acquisition or disposal of securities, the Company shall, prior to the date of occurrence of the event, obtain the financial statements of the issuing company for the most recent period which have been certified or reviewed by a certified public accountant. Such financial statements shall be used as a reference for appraising the transaction price. If the transaction amount has reached 20% of the company's paid-in capital or NT\$300 million, the Company shall, prior to the date of occurrence of the event, additionally engage an accountant to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to securities with publicly quoted prices from an active market, or if it has been otherwise provided by the regulations of the Financial Supervisory Commission (FSC).

Article 9 Where the Company acquires or disposes of intangible assets or its right-of-use assets or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage an accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

Article 9-1 The calculation of the transaction amounts referred to in Article 7 to Article 9 shall be conducted in accordance with Paragraph 2, Article 33 herein. In the meantime, "within one year", as used herein, refers to the year preceding the date of occurrence of the current transaction. The basis for calculation, however, shall not include any transactions for which a professional appraisal report or accountant's opinion has been obtained according to the Rules.

Article 10 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be used as a substitute for the appraisal report or accountant opinion.

Article 11 Where the Company acquires or disposes of assets, the authorized division shall obtain the relevant appraisal reports and once these are verified in accordance with the Company's executive officers hierarchy decision-making procedure, continue their handling.

The price for the acquisition or disposal of securities traded on the centralized securities market or at a securities firm's place of business, shall be the price of the security of that day. The acquisition or disposal of other assets shall be conducted by way of bidding, price comparison or price negotiation. The payment terms shall be based on the general market conditions.

The trading counterparties of the Company's acquisition or disposal of assets are interested stakeholders of the Financial Holding Company Act, and the transactions are in accordance with "other transactions" as defined in Article 45 of the Financial Holding Company Act; the terms of the transaction shall not be more favorable than those of

similar transactions, and such transactions will require the concurrence of at least three-quarters of the Company's directors and resolutions shall be passed with the support of at least two-thirds of the participating directors.

Section 2 Related-Party Transactions

Article 12 When engaged in the acquisition or disposal of assets from or to a related party, the Company shall, in accordance with the regulations stipulated in this section and the preceding chapter, complete the relevant resolution procedures and appraisal of the reasonableness of the transaction terms. If the transaction amount reaches 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or an accountant's opinion in accordance with the provisions of the preceding Section.

With regard to the calculation of transaction amount prescribed in the preceding paragraph, the Company shall follow the procedures prescribed in Article 9-1 herein.

When determining whether the transaction counterparty is a related party, the Company shall take into account not only the legal formalities, but also the substance of the relationship.

Article 13 When the Company intends to acquire or dispose of real estate or its lease assets from or to a related party, or when it intends to acquire or dispose of assets other than real estate property or its lease assets from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except when trading domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic securities investment trust enterprises issued-money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors:

- A. The purpose, necessity and anticipated benefit of the acquisition or disposal of the real estate.
- B. The reason for choosing the related party as a transaction counterparty.
- C. With respect to the acquisition of real estate or its lease assets from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15.
- D. The date and price at which the related party originally acquired the asset, the original trading counterparty, as well as the relationship between the original trading counterparty and the Company/the Company's related parties.
- E. A monthly cash projection report for the next year starting from the contract month, and comments on the necessity of the transaction and the reasonableness of how the capital is to be used.
- F. An appraisal report from a professional appraiser or an accountant's opinion obtained in compliance with the preceding article.
- G. Restrictive covenants and other important stipulations associated with the transaction.

When transactions pursuant to Paragraph 1 are to be conducted by the Company or its subsidiary, which is not a domestic public company, and the transaction amount reaches more than 10% of the Company's total assets, the Company may not proceed to enter into a transaction contract or make a payment until the matters prescribed in Paragraph 1 have been approved by the shareholders' meeting; However, this requirement does not apply to transactions between the Company and its parent or subsidiaries, or between its subsidiaries.

The calculation of the transaction amounts referred to in Paragraph 1 and the preceding paragraph shall be done in accordance with Paragraph 2, Article 33, and "within the preceding year" as used refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to a shareholders' meeting, and approved by the Board of Directors and supervisors pursuant to the Procedure need not be counted toward the transaction amount.

The Company has established an audit committee in accordance with the Securities and Exchange Act. Matters in Paragraph 1 that require the supervisors' recognition shall be subject to the consent of one-half or more of the entire membership of the Audit Committee, and shall also be submitted to the Board of Directors for resolution.

If the preceding paragraph is not approved by more than one-half of the Audit Committee members, then it must be approved by more than two-thirds of the entire Board of Directors. The decision shall be recorded in meeting minutes.

The entire members of the Audit Committee or the Board of Directors referred to in Paragraph 5 shall be calculated based on the number of actual serving Directors.

Article 14 The Company acquiring real estate or its lease assets from a related party shall evaluate the reasonableness of the transaction costs by the following means:

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

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

When acquiring real estate or its lease assets from a related party, the Company shall appraise the cost of the real estate or its lease assets in accordance with Paragraph 1 and Paragraph 2 above; in the meantime an accountant shall be engaged in the review of the appraisal to render an opinion.

Where the Company acquires real estate or its lease assets from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 13, and the preceding three paragraphs do not apply:

- A. The related party has acquired the real estate or its lease assets through inheritance or as a gift.
- B. More than five years have elapsed since the acquisition of the real estate or its lease assets by the related party since the date the contract for the transaction was signed.
- C. The real estate is to be acquired through a joint construction agreement with the related party, or through an arrangement where the related party is engaged to build, either on the Company's own land or on rented land.
- D. The real estate lease assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or total capital.

Article 15 When the results of the Company's appraisal conducted in accordance with Paragraph 1 and Paragraph 2 of the preceding Article are uniformly lower than the transaction price,

the matter shall be handled in compliance with Article 16. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and an accountant, this restriction shall not apply:

- A. Where the related party has acquired the undeveloped or leased land for development, and is able to provide evidence of meeting the following criteria:
 - 1. The total appraised value of the undeveloped land and the buildings exceed the actual transaction price, where the undeveloped land has been evaluated in accordance with the methods prescribed in the preceding article and the buildings have been appraised by adding a reasonable construction profit to the construction cost paid by the related party. The “reasonable construction profit” as used herein shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- B. Where the Company acquiring real estate, or obtaining real estate lease assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

“Completed transactions involving neighboring or closely valued parcels of land” as used in the preceding paragraph in principle refer to parcels on the same or adjacent block and within a distance of no more than 500 meters, or parcels close in publicly announced current value; “Transactions involving similarly sized parcels” as used herein in principle refer to deals completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; “within the preceding year” as used herein refers to the year preceding the date of occurrence of the acquisition of the real estate or the lease assets thereof.

Article 16 Where the Company acquires real estate or its lease assets from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:

- A. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost for the real estate or its lease assets. These funds may not be distributed or used for capital increase or issuance of bonus shares. For a public company adopting the equity method to account for its investment in another company, the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall also be appropriated on a pro-rata basis according to the percentage of shares held by the investor.
- B. The supervisors shall perform their duties according to Article 218 of the Company Act. The Company has established an Audit Committee in accordance with the provisions of the Securities and Exchange Act, and so the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the Audit Committee.
- C. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the

annual report and the investment prospectus.

If the Company has set aside a special reserve under the preceding paragraph, it shall not draw on the reserve unless it has recognized the loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission has given its consent.

The rules specified in the preceding two paragraphs shall also be followed if there is other evidence showing nonconformity with general business practices when the Company acquires real estate or its lease assets from a related party.

Section 3 Engaging in Derivatives Trading

Article 17 The Company is engaged in derivatives trading for purposes such as hedging (financial hedging or accounting hedging) and investments in commodities approved by the competent authority; account safety and liquidity are considered simultaneously.

Article 18 The Company's hedging strategies for engaging in derivatives trading are:

- A. The restrictions on the total amount of derivative transactions for hedging purposes shall not exceed the accumulated total amount of the hedged assets.
- B. Set the maximum loss limits on all and individual contracts (stop-loss points).
- C. Regularly assess the profit/loss and performance of the derivatives.
- D. Strictly evaluate the credit status and professional competence of the trading counterparties.
- E. All transactions and related operations are handled in accordance with laws and regulations.

Article 19 The board of directors of the Company shall supervise and manage derivative transactions in accordance with the following principles:

- A. The designated senior managers shall pay constant attention to the monitoring and control of derivative transaction risks.
- B. They shall review the performance of derivative transactions on a regular basis to ensure that it is consistent with the business strategies of the Company and that the risks involved are within the Company's risk tolerance.

Article 20 Where the Company engages in derivatives trading, the authorities of the Chairman authorized by the Board of Directors are:

- A. To list the purpose of the transaction and the categories of the products.
- B. To list the counterparties of the transactions and determine the maximum amount authorized for trading with said counterparties.
- C. To approve individual transactions.
- D. Supervise and control transaction risks.

The Chairman of the board shall authorize relevant departments to formulate relevant procedures, authorized amount, decision-making hierarchies, total transaction amount, performance appraisals and risk control methods according to the nature of the products and, once the transaction has been arranged, the relevant information shall be submitted to the impending Board of Directors.

Article 21 The Chairman shall observe the following principles when managing financial derivative transactions:

- A. Regular reviews shall be conducted on existing risk management measures to ensure

their suitability and full compliance with the requirements prescribed in relevant laws and regulations and these Rules.

- B. In case any irregularities are found in the course of monitoring the transactions and gains/losses (such as the held position exceeding the loss limit), necessary responsive measures shall be taken and reported to the Board of Directors immediately. If independent directors have already been appointed, independent director shall participate in the Board of Directors to express their opinions.

Article 22 When engaged in derivatives transactions, the Company shall adopt the following risk management measures:

- A. Risk management shall address credit, market, liquidity, cash flow, operational and legal risks.
- B. The Company's personnel engaged in derivatives trading may not serve concurrently in other operations such as deal confirmation and settlement.
- C. Personnel responsible for risk measurement, monitoring and control shall be assigned to a department separate from the individuals specified in the preceding subparagraph, and shall report to the Board of Directors or other senior managers who are not engaged in decision making on transactions or trading positions.
- D. The trading unit shall assess its derivatives trading positions at least once a week. Hedging transactions conducted to meet business requirements shall be assessed at least twice a month. Assessment reports shall be presented to the Chairman or senior management level authorized thereby.
- E. Where the Company's engagement in derivatives trading involves legal affairs, it shall consult the legal unit or external legal consultants.

Article 23 The Company shall establish a logbook for its derivative transactions for audit purposes, which shall contain details about the type and amount of the derivative transaction and the date it was resolved by the Board of Directors. The logbook shall also include the "other items to be evaluated" prescribed in this chapter.

Article 24 The Company's internal auditors shall, on a regular basis, check the adequacy of the internal control system for derivatives transactions. They shall conduct monthly audits on the handling procedures of derivatives transactions to ensure compliance. Audit reports shall be produced. The auditors are required to advise the supervisors in writing if any significant violations are found.

The Company has established the Audit Committee in accordance with the provisions of the Securities and Exchange Act, and so the provisions with respect to the supervisors in the preceding paragraph shall apply mutatis mutandis to the Audit Committee.

Section 4 Mergers, Splits, Acquisitions, and Assignment of Shares

Article 25 When engaged in mergers, splits, acquisitions or assignment of shares, the Company shall, before convening a Board meeting to approve such matters, engage an accountant, attorney or securities underwriter to provide opinions on the reasonableness of the share assignment ratio, acquisition price and the cash or other property to be distributed to shareholders. The proposal shall be submitted to the Board of Directors for deliberation and passage. However, the aforementioned requirements regarding obtaining an opinion on reasonableness stated by an expert do not apply in the case where the Company directly or indirectly holds 100% of the issued stocks or the total capital of its subsidiary or when the Company directly or indirectly holds 100% of the issued stocks or the total capital of the merger of its subsidiaries.

Article 26 The Company shall, before the shareholders' meeting, prepare a public report for the shareholders detailing important contractual content and matters relevant to the merger, split, or acquisition. The report shall be sent to the shareholders along with the notification for the shareholders' meeting and the expert opinions referred to in the preceding Article, so that it can be used as a reference for decision-making on the merger, split, or acquisition. This, however, shall not apply if the Company has been lawfully granted an exemption from convening a shareholders' meeting to resolve on such matters.

In the event that the Company is unable to convene a shareholders' meeting or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or if the proposal is rejected by the shareholders' meeting, the Company shall immediately explain to the public the reason, follow-up measures and the scheduled date of the next shareholders meeting.

Article 27 Unless otherwise provided by law or agreed in advance by the Financial Supervisory Commission for special reasons, the Company and the participating company in an merger, split or acquisition project are required to convene a Board of Directors meeting and shareholders' meeting on the same day to resolve any details related to the merger, split or acquisition.

Unless otherwise provided by law or agreed in advance by the Financial Supervisory Commission for special reasons, the companies participating in assignment of shares are required to convene a Board of Directors meeting on the same day.

When engaged in merger, split, acquisition or assignment of shares, the Company shall keep a complete written record, which shall be retained for five years for review and audit purposes, including the following information:

A. Basic personnel information: Including the job title, name and ID number (or passport number in the case of foreign nationals) of all personnel involved in the planning or implementation of the merger, split, acquisition, or assignment of shares prior to public disclosure of the information.

B. Dates of important events: Including the dates of signing a letter of intent/memorandum of understanding, commissioning a financial or legal advisor, signing contracts or holding Board of Directors meetings.

C. Important documents and meeting minutes Including the plans for merger, split, acquisition or assignment of shares, letter of intent or memorandum of understanding, important contracts and minutes of the Board of Directors meetings.

When participating in a merger, split, acquisition, or assignment of shares, the Company shall, within 2 days from the date of passage of the Board resolution, submit the information required in Subparagraphs 1 and 2 of the preceding Paragraph to the Financial Supervisory Commission for redecoration. The information shall be compiled according to the specified format and transmitted via the Online Information System.

If any of the participating companies in the merger, split, acquisition, or assignment of shares is not a listed company or a company having its shares traded on an OTC market, the Company shall sign an agreement with such participating companies, while abiding by the provisions of Paragraphs 3 and 4 herein.

Article 28 The Company participating in or privy to the plan for the merger, split, acquisition, or assignment of shares shall be required to issue an undertaking of confidentiality in writing not to disclose the content of the plan prior to public disclosure of the information. Neither shall they, in their own name or under the name of a third person, trade in any stock or other equity securities of any company related to such plan.

Article 29 Except for the following circumstances, the Company shall not arbitrarily change the

share exchange ratio or acquisition price when participating in the merger, split, acquisition or assignment of shares. The Company shall, in the meantime, stipulate in the relevant contracts for the merger, split, acquisition or assignment of shares the conditions where such changes are allowed:

- A. Administering capital increase in cash or issuance of convertible corporate bonds, bonus shares, corporate bonds with warrants, preferred shares with warrants, stock warrants or other equity-based securities.
- B. Disposal of the Company's major assets or other activities which may influence the financial operations of the Company.
- C. Significant events such as major disasters or material technology changes which will influence the rights and interests of the shareholders or share price of the Company.
- D. Adjustments made by any of the participating companies of the merger, split, acquisition or assignment of shares due to the lawful buyback of treasury stock.
- E. Changes in the entities or number of participating companies for the merger, split, acquisition or assignment of shares.
- F. Other terms and conditions in which changes are permitted, subject to that they have been stipulated in the relevant contracts and publicly disclosed.

Article 30 When participating in the merger, split, acquisition or assignment of shares, the Company shall state clearly in the relevant contracts the rights and obligations of the participating companies, and shall also record the following:

- A. Handling of a contract breach.
- B. Principles for handling equity securities previously issued or treasury stock previously bought back by a company which has been divested, or extinguished in a merger or that is split..
- C. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
- D. The manner of handling changes in the number of participating entities or companies.
- E. Preliminary progress schedule for plan execution, and anticipated completion date.
- F. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 31 In the event that, after the public disclosure of the information for the merger, split, acquisition or assignment of shares participated in by the Company, one of the participating companies intends to engage the Company in such activities, all the participating companies shall again go through all the procedures and legal actions which have already been completed for the original merger, split, acquisition or share assignment. The Company, however, may be exempted from calling another shareholders' meeting to reapprove the plan, if the number of participating companies has decreased and the Board of Directors of the Company have received approval and authorization from the shareholders' meeting to change the authority.

Article 32 If any of the participating companies of the merger, split, acquisition, or assignment of shares is not a publicly listed company, the Company shall sign an agreement with such participating companies, while abiding by the provisions of Articles 27, 28 and 31 herein.

Chapter 3 Information Disclosure

Article 33 Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event, publicly announce and report the relevant information about the acquisition or disposal of assets on the designated website of the Financial Supervisory Commission using the specified format based on the nature of the transaction:

- A. Acquisition or disposal of real estate or its lease assets from or to a related party, or acquisition or disposal of assets other than real estate or its lease assets from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- B. Merger, split, acquisition, or assignment of shares.
- C. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Rules adopted by the Company.
- D. Where equipment or its lease assets for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - 1. For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - 2. For a public company whose paid-in capital is NT\$10 billion or more but less than NT\$50 billion, the transaction amount reaches NT\$1 billion or more.
 - 3. For a public company whose paid-in capital is NT\$50 billion or more, the transaction amount reaches 5 percent or more of paid-in capital.
- E. Where real estate is acquired under an arrangement engaging in the development of self-owned land, development of leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.
- F. In the case of the Company, transactions in government bonds, ordinary corporate bonds, and general bank debentures without equity characteristics (excluding subordinated debentures) traded on securities exchanges or at securities firms' places of business, which do not fall under any of the circumstances set out in the proviso to subparagraph G, where the transaction counterparty is not a related party, and the transaction amount reaches 5 percent or more of the Company's paid-in capital.
- G. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables, or an investment in the Mainland China area reaches 20% or more of paid-in capital or NT\$300 million or more; provided that this shall not apply to the following circumstances:
 - 1. Trading of domestic government bonds, or foreign government bonds issued by a foreign central government with a sovereign rating not lower than the sovereign rating of the ROC.
 - 2. Where done by professional investors - Securities trading on securities exchanges or OTC markets, or subscription for foreign government bonds, or ordinary corporate bonds and general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription for or redemption of securities investment trust funds or futures trust funds, or subscription for or reverse sale of ETNs.
 - 3. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

- A. The amount of any individual transaction.
- B. The cumulative transaction amount of acquisitions or disposals of the same type of underlying asset with the same transaction counterparty within one year.
- C. The cumulative transaction amount of real estate or its lease assets acquired or disposed of (to be accumulated separately for acquisition and disposals) for the same development project within one year.
- D. The cumulative transaction amount of the same securities acquired or disposed of (to be accumulated separately for acquisition and disposals) within one year.

“Within one year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items which have been announced according to these Rules may be excluded.

The Company shall compile monthly reports on the status of derivatives trading conducted up to the end of the preceding month for its own transactions and those of its subsidiaries (that are not domestic public companies) and enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission before the 10th of each month.

When the Company, at the time of public announcement, makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

When acquiring or disposing of assets, the Company shall retain for itself a file of the relevant contracts, meeting minutes, logbooks, appraisal reports, opinions from the accountants, attorneys and securities underwriters for at least five years, unless otherwise provided by law.

Article 34 If the following situations arise after the Company has announced or reported transactions according to the preceding Article, the Company shall announce and report such matters within two days on the website specified by the competent authority:

- A. Change, termination, or rescission of the contract signed in connection with the original transaction.
- B. Failure to complete the merger, split, acquisition, or assignment of shares within the deadline prescribed in the contract.
- C. Changes to the information originally announced or reported.

Article 35 When a subsidiary is not a public company, the Company shall publicly announce the subsidiary’s acquisition or disposal of assets requiring public announcement as prescribed by this Chapter.

The paid-in capital or total assets of the Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 33, paragraph 1. The total assets stated in the Company’s most recent individual financial report shall be used for the calculation of 10% of the total assets under these Rules.

Chapter 4 Supplementary Provisions

Article 36 Company personnel who violate the Rules shall be penalized according to the Company’s personnel regulations, and personnel implicated in unlawful conduct or practice shall be reported to the judicial authority.

Article 37 With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Rules or other laws or regulations, if a director expresses dissent and it has been recorded or presented as a written statement,

the Company shall submit said director's dissent information to each supervisor.

The Company has elected independent directors in accordance with the Securities and Exchange Act. When a Board meeting discusses acquisition or disposal of assets transactions as stipulated in the previous Paragraph, the Board shall fully take into consideration each independent director's opinions. If any independent director objects to or expresses reservations about any matter, it shall be recorded in the Board meeting minutes.

In the event that the Company has established an audit committee in accordance with the Securities and Exchange Act, any substantial asset transactions or derivative transactions shall be approved with the consent of one-half or more of all Audit Committee members and then submitted to the Board for a resolution; said transaction shall be subject to mutatis mutandis application of Paragraphs 5 and 6, Article 13.

Article 38 The subsidiaries of the Company shall establish their own Rules for Handling the Acquisition or Disposal of Assets. After the Rules have been approved by the subsidiary's Board of Directors, these shall be submitted to the Company for approval; the same applies when the Rules are amended.

The subsidiaries of the Company shall check whether the relevant procedures are handled in accordance with the established Rules. The internal auditors of the Company may personally review the relevant matters of the aforementioned inspection report, or delegate said review to the auditors of the subsidiary; if necessary, an on-site inspection shall be conducted.

Article 39 After the establishment of this Rules, these must be approved by the Board of Directors, submitted to each supervisor, and then to a shareholders' meeting for approval; the same applies when the Rules are amended. If a director expresses dissent and it has been recorded or made in writing, the director's dissenting opinion shall be submitted to each supervisor.

If the Company has elected independent directors in accordance with the Securities and Exchange Act, when a transaction involving the acquisition or disposal of assets is submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

In the event that the Company has established an audit committee in accordance with the Securities and Exchange Act, the establishment or amendment of this Rules shall be subjected to the consent of one-half or more of all audit committee members and be submitted to the Board of Directors for resolution, and shall be subject to mutatis mutandis application of Paragraphs 5 and 6 of Article 13.

Article 40 These Rules shall be effective and enforceable from the date of adoption. The same shall apply to the amendment or cancellation of these Rules.