

Procedures for Acquisition and Disposal of Assets of President Chain Store Corporation

Amended in June 2019

Chapter I General Provisions

I. Legal sources:

These Regulations are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act and Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

II. Assets include the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
2. Real property (including land, houses and buildings, investment property) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets.
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

III. Terms used in these Regulations are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, whose value is derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, indexes of prices or rates, credit rating or credit indexes, or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date

of consignment trade, date of transfer, dates of boards of directors resolutions or dates of resolutions of committees established by boards of directors, date of bid acceptance, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

IV. Evaluating and operating procedures:

1. Acquiring and disposing fixed assets: apart from the valuations required in IV-8 of this procedure, the developer and the Administrative Department will engage in bidding, price comparisons, or price negotiations for real estate deals, and the President's approval is needed before execution. For other fixed assets, the respective administrators are authorized to arrange transactions within their given boundaries, subject to proper approval. Acquiring and disposing the non-retail used properties are subject to acknowledgment by the board of directors. Transactions amounting to more than NTD 500 million need to be reported during the shareholders meeting.
2. For securities that are not traded over a centralized exchange market or a securities firm's place of business (except those with open quotes), the Finance Department will engage in price negotiations according to IV-8 of this procedure and submit for the President's approval. The transaction will later be acknowledged by the board of directors.
3. Trading of securities over a centralized exchange market or a securities firm's place of business are subject to compliance with IV-8 of this procedure, and requires written permission from the Head of Finance.
4. Derivative transactions are initiated by the Finance Department after considering the Company's needs and market condition, confirming the instrument and position, analyzing the market information and determining the proper hedging strategy. Finance Department shall submit the evaluation reports to the board of directors for approval before executing.
5. Merger, demerger, acquisition, or transfer of shares shall be evaluated in terms of net worth per share, asset value, technological capabilities, profitability, production capacity, and growth prospects. These deals also need to undergo the procedures, preparations, and documentation outlined in Chapter Four. Unless otherwise permitted by law, all mergers, divestments, and acquisitions must be resolved during the shareholders' meeting. Transfer of shares shall be executed after the approval from the board of directors.
6. For acquisitions and disposals of memberships, the President may authorize an executor to arrange a transaction based on the latest price and IV-8 of this procedure. For acquisitions and disposals of patents, copyrights, trademarks, licenses and other intangible assets and right-of-use assets thereof, the President may authorize an executor to arrange transactions based on the usual market practice, remaining useful years, effects on existing technology and business, and IV-8 of this procedure.
7. Acquisitions and disposals of other assets are subject to compliance with the

Company's internal control policies and levels of approval and reporting authorities.

8. Other matters:

- (1) The Company acquiring or disposing of securities shall obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant prior to the transaction, for reference in appraising the transaction price. If the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a certified public accountant to provide an opinion regarding the reasonableness of the transaction price prior to the transaction. If the CPA requires an expert's opinion, it must be sought in accordance with the Statement on Auditing Standards No. 20 announced by the Accounting Research and Development Foundation. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).
- (2) In acquiring or disposing of real property, equipment or right-of-use assets thereof where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government institution, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report from a professional appraiser and shall further comply with the following provisions:
 1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedure shall also be followed whenever there is any subsequent changes to the terms and conditions of the transaction.
 2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
 3. Except the circumstances where the valuation is higher than the price acquired, or lower than the price disposed, any one of the following circumstances applies with respect to the professional appraiser's appraisal results, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - (1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
 4. No more than 3 months may elapse between the date of the appraisal report issued and the contract execution date if appraising before the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months

have elapsed, an opinion may still be issued by the original professional appraiser.

- (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, except the related party acquired the real property or right-of-use assets thereof through inheritance or as a gift, more than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction, the real property is acquired through signing of a joint development contract with the related party or through engaging a related party to build real property, either on the Company's own land or on rented land, and the real property right-of-use assets for business use are acquired by the company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company shall evaluate the reasonableness of the transaction costs and also engage a CPA to check the appraisal and render a specific opinion by the following means:
 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
 3. Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding two paragraphs.
- (4) Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- (5) Where a public company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
- (6) The calculations stated in (1), (2), and (4), above must comply with Article Five - 1 of this procedure. The one-year timeframe counts back from the day the transaction occurred. Transactions which have already been

supported by expert's valuation or CPA's opinions can be excluded.

V. Publicly announce standard:

1. Under any of the following circumstances, the Company acquiring or disposing of assets and the transaction amount reaches V-2 of this procedure shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:
 - (1) The amount of any individual transaction.
 - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
 - (3) The cumulative transaction amount of real property or right-of-use assets thereof acquisitions and disposals respectively within the same development project within the preceding year.
 - (4) The cumulative transaction amount of acquisitions and disposals respectively of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced need not be counted toward the transaction amount.

2. Publicly announce standard for acquiring or disposing of assets:

- (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by Securities Investment Trust Enterprises.
- (2) Merger, demerger, acquisition, or transfer of shares.
- (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
- (4) Where the type of asset acquired or disposed is equipment or right-of-use assets thereof for business use, the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.
- (5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, the trading counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.
- (6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 1. Trading of domestic government bonds.

2. Securities trading by investment professionals on securities exchanges or over-the-counter markets or subscription of ordinary corporate bonds or financial bonds without equity characteristics (excluding subordinated debt), that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
3. Trading of bonds under repurchase/resale agreements or subscription or repurchase of domestic money market funds issued by Securities Investment Trust Enterprises.

The amount of transactions above shall be calculated according to V-1 of this procedure.

3. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the prescribed date.
4. At the time of public announcement makes an error or omission to be publicly announced and so is required to correct it, all the items shall be again publicly announced in two days since it learns of the occurrence and reported in their entirety.
5. Where any of the following circumstances occurs with respect to a transaction that has already publicly been announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.

VI. Total amounts of real property and right-of-use assets thereof and securities acquired by the Company and each subsidiary for non-business use, and limits on individual securities:

1. Total amounts of real property and right-of-use assets thereof acquired by the Company shall not exceed 50 percent of paid-in capital or shareholders' equity (whichever the higher); total amounts of securities acquired by the Company shall not exceed 200 percent of paid-in capital or shareholders' equity (whichever the higher); each amount of a security invested by the Company shall not exceed 50 percent of paid-in capital or shareholders' equity (whichever the higher). Provided, where the proposal have been approved by the board of directors and recognized by the parent company's board of directors shall not apply.
2. Total amounts of real property and right-of-use assets thereof and securities acquired by each subsidiary for non-business use, and limits on individual securities are required to abide by the following restriction:
 - (1) For the subsidiary which is not a professional investment company, total

- amounts of real property and right-of-use assets thereof acquired by the subsidiary shall not exceed 50 percent of paid-in capital or shareholders' equity (whichever the higher); total amounts of securities acquired by the subsidiary shall not exceed 150 percent of paid-in capital or shareholders' equity (whichever the higher); each amount of a security invested by the subsidiary shall not exceed 50 percent of paid-in capital or shareholders' equity (whichever the higher).
- (2) For the subsidiary which is a professional investment company, total amounts of real property and right-of-use assets thereof acquired by the subsidiary shall not exceed 50 percent of total assets; total amounts of securities acquired by the subsidiary shall not exceed 100 percent of total assets; each amount of a security invested by the subsidiary shall not exceed 100 percent of total assets.
 - (3) Where each subsidiary excesses the limits on individual securities but has approved by the board of directors and recognized by the parent company's board of directors, shall not apply.

VII. Control procedures for the acquisition and disposal of assets by subsidiaries:

1. The Company's subsidiaries shall establish their respective "Operational Procedures for Acquisition and Disposal of Assets" in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", promulgated by the Financial Supervisory Commission. These procedures are subject to approval by their respective boards of directors (and Audit Committee, if applicable), review by their respective Supervisors, and consent of their respective shareholders before taking effect. The same applies to all subsequent revisions.
2. Subsidiaries are required to report to the Company all derivative transactions and assets acquired/disposed up till the end of the previous month.
3. If the subsidiary is non-public listed, any assets acquired or disposed by which that are subject to reporting must be notified to the Company prior to the date of occurrence. The Company will then publish these transactions onto the designated website. For subsidiaries, whether transactions of paid-up capital or total assets shall be based on the Company's paid-up capital or total assets.

VIII. Penalties

Where the related personnel violating this procedure and causing the Company be disciplined by the competent authority, the related personnel shall be disciplined according to the personnel management reward and discipline system of the Company.

Chapter II Related Party Transactions

IX. Scope and definition:

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with this procedure.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with IV-8-(6) herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

X. Resolution procedure:

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic money market funds issued by Securities Investment Trust Enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been agreed by the Audit Committee and approved by the board of directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with IX of this procedure.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with V-1 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been agreed by the Audit Committee and approved by the board of directors need not be counted toward the transaction amount.

With respect to the following transactions between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's board of directors may pursuant to this procedure delegate the board chairman to decide such matters when the transaction is within NT\$ 1 billion and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

1. the acquisition or disposal of business-use equipment or right-of-use assets thereof.
2. the acquisition or disposal of business-use real property right-of-use assets.

XI. Appraised the reasonableness of the transaction terms

1. When the Company acquires real property or right-of-use assets thereof from a related party, the results of the transaction costs that the Company's

appraisal conducted in accordance with IV-8-(3) of this procedure are uniformly lower than the transaction price, the matter shall handle the matter in compliance with II-2 of this procedure. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 1. Where undeveloped land is appraised in accordance with the means in IV-8-(3) of this procedure, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 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 or leasing market practices.
- (2) Where the Company acquiring real property or obtaining real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or right-of-use assets thereof.

2. When the Company acquires real property or right-of-use assets thereof from a related party, the results of the transaction costs that the Company's appraisal conducted in accordance with IV-8-(3) of this procedure are uniformly lower than the transaction price, the following steps shall be taken:
 - (1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for

under Article 41, paragraph 1 of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.

- (2) The independent directors of the Audit Committee shall comply with Article 218 of the Company Act.
- (3) Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

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

Chapter III Controls over derivative transactions

XII. Trading principles and strategies:

1. Types of derivatives be traded:

Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, whose value is derived from specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, indexes of prices or rates, credit rating or credit indexes, or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

2. Operating or hedging strategies:

The Company's derivative transactions are divided into hedging and trading (non-hedging) purposes. Transactions should be primarily engaged to avoid business risks. The types of derivatives should be selected in the way that mitigates risks on foreign currency income, expenses, assets, or liabilities which arise as a result of business activities. Additionally, derivatives can be traded for "non-hedging purposes" at the proper timing as means of increasing non-operating revenues or reducing non-operating losses. As a priority, the Company should transact with financial institutions it has banking relationships with, in order to avoid credit risks. Each transaction must be determined either for hedging or for trading before taking place. This is to facilitate proper bookkeeping.

3. Segregation of duties

(1) Finance Department

Responsible for learning the regulatory implications of each derivative, outlining trading practices, establishing supervisory policies, gathering market information, executing transactions, evaluating positions held on hand, producing assessment reports, and making the necessary announcements and reporting. The bookkeeping, report generation, and record-filing relevant to derivative transactions shall be handled by Finance Department staffs who are not involved in the trading activity.

- (2) Audit Department
Periodically assesses whether the current risk management policy is appropriate and carried out in accordance with this procedure.
- (3) Legal Department:
Responsible for reviewing derivative contracts and any related regulations.
- 4. Essentials of performance evaluation
 - (1) At the end of each trading day, the Finance Department shall evaluate the gains and losses on remaining positions at market value.
 - (2) Review periodically and submit the evaluation report to the President or any authorized management.
 - (3) Performance should be compared against prescribed targets for the management's reference when making the strategic decision.
- 5. Total amount of derivatives contracts that may be traded, and the maximum loss limit on total trading and for individual contracts as following; the President or management authorized by the President shall be informed with the recommended solution when the loss breaks the stop-loss point.
 - (1) Hedging transactions:
 - 1. Trade limit: the consolidated foreign currency exposure or the net liability (including expected future net exposures).
 - 2. Maximum loss limit: for individual contract, losses amount excess 20% of contract value for two months; for all contracts, losses amount excess 10% of contract value for two months.
 - (2) Trading transactions: the contract amount shall not exceed USD 10 million; the maximum loss limit for all contracts is USD 1 million; the maximum loss limit for individual contract is 15% of its contract amount.

XIII. Risk management measures

- 1. Credit risks:
The trading counterparties shall consist mainly of correspondent banks or financial institutions; others shall be authorized by the President.
- 2. Market risks:
The Finance Department shall periodically assess based on the market value, and monitor any likely impacts on the holding position due to price changes.
- 3. Liquidity and cash flow risks:
Choose highly liquid instruments; monitor the Company's cash flow to ensure sufficient cash for settlement.
- 4. Legal risks:
The Legal Department's consent must be obtained before signing on any contractual documents.
- 5. Product risk:
Acquire the trading counterparties to disclose all risks before making a transaction.
- 6. Operational procedure:
 - (1) All derivative traders must be approved by the Head of Finance, and their names need to be notified to the correspondent financial institutions. Unauthorized personnel shall not engage in derivative trading.
 - (2) Traders, trade confirmation, and trade settlement personnel must work independently of each other.
 - (3) Every operation needs to be authorized and monitored by a proper manager.
- 7. Personnel responsible for risk supervision and risk control must be assigned

- under departments different to those who are traders, trade confirmation, and settlement personnel, and shall report to the board of directors or senior supervisors who are not responsible for trading or exposure deciding.
8. Trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

XIV. Internal audit system.

The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the Audit Committee shall be notified in writing.

XV. Regular evaluation methods and the handling of irregular circumstances

1. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be reviewed and submitted to the President and designated management personnel.
2. The President or the management personnel authorized by the board of directors pay continuous attention to monitoring and controlling derivatives trading risk, and periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with this procedure. A company shall report to the soonest meeting of the board of directors after it authorizes. The board of directors shall periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
3. The President or the management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
 - (1) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with Regulations Governing the Acquisition and Disposal of Assets by FSC and this procedure.
 - (2) When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the soonest meeting of the board of directors.
4. The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, monthly or weekly evaluation reports and the matters periodically evaluated by the board of directors or the management personnel authorized by the board of directors.

Chapter IV Mergers, divestments, business acquisitions, or share exchanges

- XVI. The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall

engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. Under the case that the Company merges the subsidiary who is directly or indirectly 100% owned by the Company, or the two subsidiaries who are directly or indirectly 100% owned by the Company respectively, the Company shall not render an opinion on reasonableness from professional.

- XVII. The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters prior to the shareholders meeting and include it along with the expert opinion referred to the preceding paragraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to any reason, or the proposal is rejected by the shareholders meeting, the Company shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.
- XVIII. A company and other companies participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent; A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

XIX. Share exchange ratio or acquisition price

The Companies participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets that affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

XX. Contract contents:

The contract for participation by the Company in a merger, demerger, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

XXI. Other matters:

1. Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
2. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
3. When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for 5 years, and within 2 days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the designated website for reference:
 - (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or

- implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
- (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
 - (3) Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.
 4. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by XVIII and preceding three paragraphs of this procedure.

Chapter V Other material issues

- XXII. The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company headquarters, where they shall be retained for 5 years except where another act provides otherwise.
- XXIII. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:
1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
 2. May not be a related party or de facto related party of any party to the transaction.
 3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.
- XXIV. The Company shall establish its procedures for the acquisition or disposal of assets in accordance with this procedure and other regulations. After the procedure have been approved by the board of directors, if any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee and 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.
- The matters shall be approved by the board of directors in according to this

procedure, shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

If approval of more than half of all Audit Committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members" in preceding paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

XXV. After the procedures have been agreed by the Audit Committee and approved by the board of directors, they shall be submitted to a shareholders' meeting for approval; the same applies when the procedures are amended. If any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee. When this procedure 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. Besides, when this procedure is adopted or amended they shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

XXVI. For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

XXVII. Revisions: The initial version was revoked in June 1990.

The revised version was revoked in June 1991.

The revised version was revoked in June 1992.

The revised version was revoked in June 1995.

The revised version was revoked in June 1996.

The revised version was revoked in June 1997.

The revised version was revoked in June 1999.

The revised version was revoked in June 2003.

The revised version was revoked in June 2007.

The revised version was revoked in June 2010.

The revised version was revoked in June 2011.

The revised version was revoked in June 2012.

The revised version was revoked in June 2014.

The revised version was revoked in June 2017.

The revised version dated June 2019.