

PharmaEngine, Inc.

Procedures for Acquiring or Disposing of Assets

May 24, 2023

Amended and approved by Shareholders' General Meeting

Article 1 Legal basis:

The Operational Procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Article 2 Definition:

1. 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; 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) contracts.
2. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor ("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 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.
7. Intangible Assets: Including intellectual property rights (including patents,

trademarks, non-clinical trial information, clinical trial information, regulatory application information, etc.), trade secrets, KNOW-HOW, or other intangible assets.

8. Total Assets: Refers to the total assets stated in the most recent parent company only or individual financial report of PharmaEngine, Inc. (the "Company").

Article 3 The scope of asset transactions of the Company:

The Company is solely engaged in the acquisition and disposal of the following assets:

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 land use rights) and equipment.
3. Patent rights and trademark rights.
4. Right-of-use assets.
5. Derivatives.
6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
7. Any other intangible assets that are not patent or trademark rights.

Article 4 Operational procedures for acquiring or disposing of assets:

Serial number	Assets acquired or disposed of	Responsible assessment unit	Workflow	Approval authority
1	<p>1. Procedures of long-term investment (such as long-term investments in stocks, corporate bonds and stock-based securities of public company (including OTC companies)).</p> <p>2. Procedures of other securities (such as stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities).</p>	Finance & Administration	<p>The acquiring or disposing of long-term investments must be reported to the board of directors for approval. Details and investment amount of other securities must be reported to the board of directors for approval. After conducting a feasibility assessment by the Finance & Administration Department and obtaining approvals from the general manager, chairperson of the board, the proposal must be reported to the board of directors for approval. The board of directors will decide the upper limit of individual investment target and authorize the chairperson to decide the actual investment amount within the limit.</p>	<p>The Company's "The Regulation of Internal Decision-Making Authority" must follow the authorization limit and management level to draft the decision-making authorities for acquiring and disposing assets.</p>

2	Real property (including land, houses and buildings, investment property) and right-of-use assets	Each responsible unit	<p>Each unit shall prepare relevant plans in advance and submit them to the Finance & Administration Department for feasibility assessment.</p> <p>Subsequently, approval shall be granted by the general manager, chairperson of the board, or board of directors, in accordance with their respective authority, before proceeding, and implementation and control shall follow the plan content.</p>	<p>1. For amounts equal to or below ten million (inclusive), approval shall be granted by the general manager.</p> <p>2. For amounts ranging from over ten million to twenty million (inclusive), approval shall be granted by the chairperson of the board. (Both paragraphs 1 and 2 shall be conducted in accordance with the budget approved by the board of directors.)</p> <p>3. For amounts higher than twenty million, approval shall be granted by the board of directors.</p>
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3	Purchase, acceptance, scrapping, and sale of equipment (including information equipment, production tools, and research and development equipment, etc.)	Each responsible unit	Evaluation by the respective responsible units shall be consolidated by the Finance & Administration Department. Subsequently, approval from the general manager, chairperson of the board, or board of directors shall be obtained, in accordance with their respective authority, before proceeding.	<ol style="list-style-type: none"> 1. For amounts equal to or below five million (inclusive), approval shall be granted by the general manager. 2. For amounts ranging from over five million to ten million (inclusive), approval shall be granted by the chairperson of the board. 3. For amounts higher than ten million, approval shall be granted by the board of directors.
4	Patent rights and trademark rights	Corporate Development	After conducting a feasibility assessment by the Corporate Development Department, approval from the general manager, chairperson of the board, or board of directors shall be obtained, in accordance with their respective authority, before proceeding.	To be handled in accordance with the authorization resolution of the board of directors.
5	Derivatives	Finance & Administration	The Finance & Administration Department is responsible for conducting transactions involving derivatives. After collecting market information and assessing trends and risks related to derivatives, approval from the general manager, chairperson of the board, or board of directors shall be obtained, in accordance with their respective authority, before proceeding.	Hedge trade with amounts equal to or below ten million US dollars (inclusive) shall be submitted for approval from the chairperson of the board and retrospectively recognized at the nearest board of directors meeting. For amounts exceeding ten million US dollars, approval must be obtained from more than half of all audit committee members and subsequently approved by the board of directors before proceeding.

6	Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law	Finance & Administration	To be handled in accordance with the provisions of Article 10.	To be handled in accordance with the provisions of Article 10.
7	Any other intangible assets that are not patent or trademark rights.	Each responsible unit	Feasibility evaluation by the respective responsible units shall be consolidated by the Corporate Development Department. Subsequently, approval from the general manager, chairperson of the board, or board of directors shall be obtained, in accordance with their respective authority, before proceeding.	To be handled in accordance with the authorization resolution of the board of directors.

(Note) For significant transactions involving assets amounting to 20% of the Company's paid-in capital, 10% of the total assets, or exceeding three hundred million New Taiwan Dollars, or involving derivative transactions exceeding ten million US Dollars, approval shall be obtained from more than half of all audit committee members and subsequently presented to the board of directors for resolution.

Article 5 The determination of asset acquisition or disposal prices and the reference basis are as follows:

1. For real property, equipment, or right-of-use assets thereof 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 others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser, and pricing decision shall be based on the appraisal results. The pricing decision shall be subject to the resolution of the board of directors.
2. The pricing of securities acquired or disposed of in centralized trading markets and OTC trading centers shall be determined based on the market transaction prices.
3. For (1) securities acquired or disposed of in non-centralized trading markets, (2) patent rights, trademark rights, and other intangible assets, (3) assets acquired or disposed of in connection with mergers, demergers,

acquisitions, or transfer of shares in accordance with law, and (4) other major assets, in accordance with the provisions of Article 5, each responsible unit shall evaluate a reasonable price as a reference for negotiation, and the final price shall be determined through negotiation between the buyer and seller.

Article 6 Announcing and reporting procedures:

1. Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the Market Observation Post System in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:
 - (1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the 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 resale of money market funds issued by domestic securities investment trust enterprises.
 - (2) Merger, demerger, acquisition, or transfer of shares.
 - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the Operational Procedures adopted by the Company.
 - (4) The assets acquired or disposed of belong to the category of equipment or right-of-use assets for business use, and the transaction involves non-related parties, with the transaction amount reaching or exceeding NT\$500 million.
 - (5) Where real property is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT\$500 million.
 - (6) Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million. However, this shall not apply to the following circumstances:
 1. Trading of domestic government bonds.
 2. Trading of bonds under repurchase and resale agreements.
 3. Subscription or resale of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

- (1) The amount of any individual transaction.
- (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.

- (3) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
 - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. The date of occurrence referred to in the first paragraph shall generally mean the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; 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 letter by the competent authority shall apply.
“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 in accordance with the Operational Procedures need not be counted toward the transaction amount.
2. Matters concerning the announcement and regulatory filing of subsidiaries:
 - (1) For all subsidiaries of the Company that are not domestic public companies, if their asset acquisitions or disposals meet the criteria set forth in the Operational Procedures, the Company shall also make an announcement and a regulatory filing.
 - (2) Regarding the announcement and regulatory filing criteria for subsidiaries, the provisions related to reaching the paid-in capital or total assets shall be based on the Company’s paid-in capital or total assets.
3. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding Article, a public report of relevant information shall be made on the Market Observation Post System within 2 days counting inclusively from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.
4. When the Company at the time of public announcement makes an error or omission in an item required by this Article 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 2 days counting inclusively from the date of knowing of such error or omission.
5. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the Market Observation Post System by the 10th day of each month.
6. The Company acquiring or disposing of assets shall keep all relevant

contracts, meeting minutes, logbooks, appraisal reports, and accountant, attorney, and securities underwriter opinions at the Company, where they shall be retained for at least 5 years except where another act provides otherwise.

Article 7 Acquisition of the expert report:

When the Company acquires or disposes of assets, it shall, according to the type of assets, engage independent and impartial experts to issue reports in accordance with the following provisions and Article 5 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies:

1. In acquiring or disposing of real property, equipment, or right-of-use assets thereof 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 others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
 - (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms 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) 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, an accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
 - (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
2. The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by an accountant, for reference in appraising the transaction price, and if the transaction amount is 20% of the Company's paid-in capital or NT\$300

million or more, the Company shall additionally engage an accountant to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Executive Yuan's Financial Supervisory Commission ("FSC").

3. Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or other major assets and the transaction amount reaches 20% or more of the Company's paid-in capital or NT\$300 million or more, 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.
4. The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Article 31, paragraph 2 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or an accountant's opinion has been obtained in accordance with the Procedures need not be counted toward the transaction amount.
5. Where the 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 accountant's opinion.

Article 8 Total amounts of real property or securities acquired by the Company and each subsidiary for non-business use, and limits on individual securities:

1. The total amount of real property or securities acquired by the Company for non-business use shall not exceed either 150% of the most recent financial statement's paid-in capital or 100% of the net worth, whichever is higher. For investments in individual securities, the limit shall not exceed 100% of the most recent financial statement's paid-in capital. Moreover, the combined total amount of short-term investments and idle assets or real property not yet disposed of shall not exceed 70% of the most recent financial statement's shareholders' equity.
2. The total amount of real property or securities acquired by each subsidiary for non-business use shall not exceed either 150% of the most recent financial statement's paid-in capital or 100% of the net worth, whichever is higher. For investments in individual securities, the limit shall not exceed 100% of the most recent financial statement's paid-in capital. Moreover, the combined total amount of short-term investments and idle assets or real property not yet disposed of shall not exceed 70% of the most recent financial statement's shareholders' equity.

Article 9 Operational procedures for related party transactions:

1. 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 under the provisions, if the transaction amount reaches 10% or more of

the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or an accountant's opinion in compliance with Article 7 of the Procedures. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 12 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

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

2. 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% or more of the Company's paid-in capital, 10% or more of the total assets, or NT\$300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all audit committee members and further approved through a resolution of the board of directors:
 - (1) The purpose, necessity, and anticipated benefit of the acquisition or disposal of real property or other assets.
 - (2) The reason for choosing the related party as a transaction counterparty.
 - (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 16 and Article 17 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
 - (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
 - (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
 - (6) An appraisal report from a professional appraiser or an accountant's opinion obtained in compliance with the preceding Article.
 - (7) Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the Company and its parent company or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the board of directors may, pursuant to Article 4 of the Procedures, delegate the chairperson of the board to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.

2. Acquisition or disposal of real property right-of-use assets held for business use.

When a matter 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.

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 2, subparagraph 1 and the transaction amount will reach 10% or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 2, subparagraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its parent company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 2, subparagraph 1 and the preceding subparagraph shall be made in accordance with Article 31, paragraph 2 of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting or board of directors pursuant to the Operational Procedures need not be counted toward the transaction amount.

3. The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

- (1) Based upon the related party's transaction 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% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

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

The Company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with subparagraph (1) and subparagraph

(2) of paragraph 3 of this Article shall also engage an accountant to check the appraisal and render a specific opinion.

Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the reasonableness of transaction costs shall be evaluated in accordance with relevant provisions. Except for the following circumstances, an accountant shall be engaged to check the appraisal and render a specific opinion:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
 2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build on the Company's own or rented land.
 4. The real property right-of-use assets for business use are acquired by the Company with its parent company or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.
4. Where the Company acquires real property or right-of-use assets thereof from a related party and when the results of the Company's appraisal conducted in accordance with subparagraph (1) and subparagraph (2) of paragraph 3 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with paragraph 5 of this Article. 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 an accountant, 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 the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 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.
 - (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 completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Aforementioned completed transactions involving neighboring or closely valued parcels of land in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

5. Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the provisions are uniformly lower than the transaction price, the following steps shall be taken:
 - (1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the transaction price of the real property or right-of-use assets thereof and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a company, a public company, uses the equity method to account for its investment in the Company, then the special reserve called for under the provisions shall be set aside pro rata in a proportion consistent with its share of the Company's equity stake.
 - (2) The independent director members of the audit committee shall comply with Article 218 of the Company Act.
 - (3) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

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.

When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding three paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 10 Operational procedures for conducting mergers, demergers, acquisitions, and transfer of shares:

1. 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 an accountant, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

2. The Company shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in the preceding paragraph when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, demerger, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger, or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

3. A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the 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.
4. When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:
 - (1) Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
 - (2) Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
 - (3) Important documents and minutes: Including merger, demerger,

acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, the Company shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraph 1 and paragraph 2.

5. 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 and other equity-type securities of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
6. The Company 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, and other equity-type 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 securities price.
 - (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.
 - (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
 - (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
7. The contract for participation by the Company in a merger, demerger, acquisition, or transfer of shares shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following:
 - (1) Handling of breach of contract.
 - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is

- extinguished in a merger or that is demerged.
- (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - (4) The manner of handling changes in the number of participating entities or companies.
 - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
 - (6) Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.
8. After public disclosure of the information, if 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.
9. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of paragraph 3, paragraph 5, and paragraph 8 of this Article.

Article 11 Operational procedures for acquiring or disposing of derivatives:

1. Trading principles and strategies
 - (1) When engaging in derivatives trading, the Company shall prioritize risk hedging as the main objective. The selection of trading commodities shall primarily focus on avoiding risks generated from the Company's business operations. The currencies held must align with the actual foreign currency requirements arising from the Company's import and export transactions, and the overall internal positions (referring to foreign currency income and expenses) within the Company shall be naturally offset to reduce its overall foreign exchange risk and save foreign exchange operation costs. Hedge trade with amounts equal to or below ten million US dollars (inclusive) shall be submitted for approval from the chairperson of the board and retrospectively recognized at the nearest board of directors meeting. For amounts exceeding ten million US dollars, approval must be obtained from more than half of all audit committee members and subsequently approved by the board of directors before proceeding. Moreover, the Company does not engage in non-hedging trades.
 - (2) Division of powers and responsibilities:
 1. Financial unit

- (1) The financial unit shall be in charge of the operation of the aforementioned derivatives trading, collect market information on derivatives, assess trends and risks, and be familiar with various derivatives and operation techniques.
 - (2) Periodic evaluation.
 - (3) Periodic announcement and declaration.
2. Accounting unit
- (1) Providing information on risk exposure positions.
 - (2) Bookkeeping and preparation of financial statements are conducted in accordance with International Financial Reporting Standards.
 - (3) Measurement, supervision, and control of transaction risks.
- (3) Essentials of performance evaluation:
The financial unit shall, on each contract's expiration trading day after the market close, use the realized net profit and loss positions as a basis for performance evaluation. It will then compare the gain and loss performance against the set trading objectives and conduct regular reviews.
- (4) Total transaction contract amount:
The amount of hedge trades shall not exceed ten million US dollars. For amounts exceeding ten million US dollars, approval shall be obtained from the board of directors before proceeding.
- (5) Loss limit:
The loss limit for hedge trade contracts shall not exceed 20% of the contract amount, applicable to individual contracts and all contracts combined.
2. Risk management measures
- (1) Credit risk management:
Due to the market's susceptibility to various factors, which can lead to operational risks in derivatives transactions, market risk management shall be carried out based on the following principles:
 1. Counterparties: Mainly composed of well-known domestic and foreign financial institutions.
 2. Trading commodities: Limited to commodities provided by well-known domestic and foreign financial institutions.
 - (2) Market risk management:
Mainly focused on the publicly available foreign exchange trading market provided by banks, excluding consideration of the futures market for now.
 - (3) Liquidity risk management:
To ensure market liquidity, the selection of financial products prioritizes those with higher liquidity (i.e., can be offset in the market at any time). The financial institutions acting as agents must possess sufficient information and the ability to trade at any market at any time.
 - (4) Cash flow risk management:
To ensure the stability of the Company's working capital turnover, the Company's funding for derivatives trading is limited to using its own funds. Moreover, the transaction amounts shall consider the cash flow

forecast for the next three months to meet the funding requirements.

(5) Operational risk management:

The Company shall strictly adhere to the authorized limits, operating procedures, and internal audits to avoid operational risks. The personnel engaged in the derivatives trading and the personnel involved in confirmation and settlement processes must not hold concurrent positions. The individuals responsible for risk measurement, supervision, and control shall be from separate departments from the aforementioned personnel, and shall report to the board of directors or senior management personnel who are not directly responsible for trading or position decisions.

(6) Product risk management:

Internal trading personnel shall possess comprehensive and accurate professional knowledge regarding financial products, and shall require banks to provide full disclosure of risks to avoid risks of misusing financial products.

(7) Legal risk management:

Documents signed with financial institutions shall be reviewed by specialized personnel in foreign exchange and legal or legal advisors before formal execution to avoid legal risks.

(8) Internal audit system:

Internal audit personnel shall periodically determine the suitability of internal controls on derivatives trading and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the operational procedures for engaging in derivatives trading, analyze trading cycle, and prepare an audit report. If any material violation is discovered, independent directors shall be notified in writing. Internal audit personnel shall, prior to the end of February of the following year, enter relevant declarations related to the implementation of the annual audit plan in conjunction with the internal audit report on the designated website of the competent authority. Moreover, they shall enter the status of improvement for abnormal matters on the website designated by the Securities and Futures Bureau no later than the end of May of the following year.

(9) Periodic evaluation method:

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 submitted to senior management personnel authorized by the board of directors.

(10) Principles of the board of directors' supervision and management, and handling of abnormal situations:

The board of directors shall appoint senior management personnel to monitor and control the risks of derivatives trading at all times. The principles of management and handling of abnormal situations are as follows:

1. Periodically evaluate whether the risk management measures currently employed are appropriate and are faithfully conducted in

- accordance with the Procedures and the operational procedures for engaging in derivatives trading formulated by the Company.
2. When abnormal 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 board of directors. An independent director shall be present at the meeting and express an opinion.
 3. 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.
 4. The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its operational procedures for engaging in derivatives trading.

The Company engaging in derivatives trading shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph (9) and point 1 and point 3 of subparagraph (10) of paragraph 2 of this Article shall be recorded in detail in the logbook.

Article 12 Control procedures for the acquisition or disposal of assets by subsidiaries:

1. Subsidiaries shall formulate operational procedures for the acquisition or disposal of assets in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
2. When subsidiaries acquire or dispose of assets, they shall provide relevant information to the Company for verification.
3. For subsidiaries that are not public companies, if their asset acquisitions or disposals meet the announcement and regulatory filing criteria set forth in Article 7 of the Procedures, the Company shall handle the announcement and regulatory filing on their behalf.

Article 13 Penalties for violations by managers and responsible personnel:

When managers and responsible personnel of the Company violate the Operational Procedures, they shall be reported for assessment in accordance with the Company's human resources management policies. The penalty shall be according to the seriousness of the circumstances.

Article 14 Implementation and amendment

When the Operational Procedures are adopted or amended, they shall be approved by more than half of all audit committee members and submitted to the board of directors for approval by resolution. And then, it shall be submitted for approval by the shareholders meeting. If there are directors who express objections and have documented or written statements, the Company shall submit information on their objections to each audit committee member.

If the approval of more than half of all audit committee members is not obtained as stated in the preceding paragraph, the decision may be made by approval by two-thirds or more of all directors, and the resolution of the audit

committee shall be recorded in the minutes of the board of directors meeting. When submitted for discussion by the board of directors under the Operational Procedures, 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.

Article 15 Supplementary Provisions

Any other matters not set forth in the Operating Procedures shall be dealt with in accordance with applicable laws and regulations and related provisions of the Company.

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