



**AIRTAC INTERNATIONAL GROUP**

**General Manager Office**

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# **Procedure for Acquisition and Disposal of Assets**

**Doc. No.** **AO-GM-SOP-004**

**Version** **C-0**

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## 1. Purpose

To protect company assets and implement information transparency, this Procedure for Acquisition and Disposal of Assets (the “Procedure”) is hereby made to be complied by the Company and its subsidiaries during acquisition or disposal of their assets. In case of any matter not contained in this Procedure or any change of applicable law and regulation with respect to the Procedure, the then relevant law or regulation in effect shall govern.

## 2. Scope

The term “assets” referenced in the Procedure includes the following:

- 2.1 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;
- 2.2 Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment;
- 2.3 Memberships;
- 2.4 Patent rights, copyrights, trademark rights, franchise rights, and other intangible assets;
- 2.5 Right-of-use assets;
- 2.6 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables);
- 2.7 Derivatives;
- 2.8 Assets acquired or disposed in connection with mergers, demergers, acquisitions, or transfers of shares in accordance with law;
- 2.9 Other material assets.

## 3. Duties

- 3.1 General Management of the Group: Assisting in arranging for establishment, interpretation, and amendment of the Procedure.
- 3.2 Company and its subsidiaries: Handling relevant matters in accordance with the Procedure.

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## 4. Definitions

- 4.1 Derivatives: refer to 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 variables; or hybrid contracts or structured products either combining any of the aforementioned contracts or containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, or long-term purchase (sale) contracts.
- 4.2 Assets acquired or disposed in connection with mergers, demergers, acquisitions, or transfers of shares in accordance with law: refer to assets acquired or disposed as a result of any merger, demerger, acquisition, or transfer of shares conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other laws, or to newly issued shares as consideration for acquisition of shares in another company (“Transfer of Shares”) under Article 156-3 of the Company Act.
- 4.3 Related party, subsidiary: as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 4.4 Professional appraiser: refers to a real property appraiser or other persons duly authorized by law to engage in the valuation of real property or equipment.
- 4.5 Date of occurrence: refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of resolutions of the board of directors, or other date that can confirm the counterparty and monetary amount of the transaction, whichever is earlier; provided, however, that 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.
- 4.6 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 Regulations Governing Permission for Investment or Technical

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## Cooperation in the Mainland Area.

- 4.7 Investment professional: refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, future commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, or fund management companies which are legally incorporated and regulated by the competent financial authorities of the jurisdiction where they are located.
- 4.8 Securities exchange: The "domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- 4.9 Over-the-counter venue ("OTC venue", or "OTC"): A "domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by a foreign competent authority and that is permitted to conduct securities business.

## 5. Clauses

- 5.1 Any professional appraiser and its personnel, certified public accountants, attorneys or securities underwriters that provide appraisal reports, certified public accountant's opinion, attorney's opinion, or underwriter's opinion as required by the Company or any of its subsidiaries to acquire or dispose of assets, shall comply with the following requirements:
- (1) They have not 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 of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this clause may not apply if 3 years have already passed since the completion of service

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of the sentence, or expiration of the period of a suspended sentence, or since a pardon was received.

- (2) Any of them is not 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 personnel shall not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following provisions:

- (1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- (2) When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the appraisal report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- (3) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or opinion.
- (4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the appraisal report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

5.2 The Company or any of its subsidiaries shall comply with the following provisions in evaluating a transaction of acquiring or disposing of assets, and deciding the transaction conditions, price, and working procedure:

- (1) For securities to be acquired or disposed at secondary markets or OTC, it shall submit the reasons, target, and indicative pricing references for/of the proposed acquisition or disposal to request approval pursuant to the “Delegation of Authority” of the Company and its subsidiaries. For securities or private placement securities to be acquired or disposed at places other than secondary markets or OTC, it shall submit

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the reasons, target, counterparty to the transaction, transfer price, payment conditions, and indicative pricing references for/or the proposed acquisition or disposal to request approval pursuant to the “Delegation of Authority” of the Company and its subsidiaries, and then submit the same for approval of the board of directors. Any material asset transaction shall be made with approval from more than one half of the total members of the audit committee and resolutions of the board of directors.

(2) Any acquisition or disposal of real property and other fixed assets shall be conducted through price comparison, price negotiation, or tendering. The acquisition or disposal of real property shall be made after approval is obtained pursuant to the “Delegation of Authority” of the Company and its subsidiaries with the transaction price and conditions determined based on the publicly announced current value, assessed current value, and actual transaction price of property in the vicinity.

This Procedure, the “Delegation of Authority” of the Company and its subsidiaries, or other laws require material asset transactions to obtain approval of the board of directors; such transaction shall be approved by more than one half of the total members of the audit committee and by resolutions of the board of directors.

Without approval from more than one half of the total members of the audit committee, a material asset transaction may be made with approval from more than two thirds of the total members of the board of directors and the resolutions of the audit committee shall be recorded in the meeting minutes of the board of directors. The total members of the audit committee and of the board of directors shall refer to the actual incumbent members.

(3) In any acquisition or disposal of memberships, the price shall be appraised based on a comprehensive evaluation of the anticipated value increase and generated benefits. Such transaction shall be made after approval is obtained pursuant to the “Delegation of Authority” of the Company and its subsidiaries.

(4) In any acquisition or disposal of patent rights, copyrights, trademark rights, franchise rights, and other intangible assets, the price shall be appraised comprehensively based on factors such as the anticipated profits, level of technological development and innovation, legal protection situation, licensing and utilization situation, and production or utilization costs, and the implications between licensor and licensee.

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Such transaction shall be made after approval is obtained pursuant to the “Delegation of Authority” of the Company and its subsidiaries.

### 5.3 Establishment and Amendment of the Procedure

5.3.1 This Procedure, after passed and adopted by the board of directors, shall be presented to the shareholders’ meeting for ratification. In the event that any director expresses objection with a written record or statement, the Company shall submit the same to the audit committee and the shareholders’ meeting for discussion. This process shall apply also to amendment of this Procedure. This Procedure, once established, shall be amended from time to time in accordance with any subsequent change in the relevant laws and regulations, and such amendment shall obtain approval by resolutions of the audit committee, board of directors, and shareholders’ meeting in accordance with the applicable laws and regulations.

5.3.2 In discussing this Procedure submitted to the board of directors in accordance with the previous clause, the board of directors shall fully consider opinions of each independent director whose specific opinions or reservations of consent or disagreement shall be clearly reduced into the meeting minutes of the board of directors.

5.3.3 The establishment or amendment of this Procedure shall be made with approval from more than one half of the total members of the audit committee (the total number of incumbent members of the audit committee) and resolutions of the board of directors. Without approval from more than one half of the total members of the audit committee (the total number of incumbent members of the audit committee), the establishment or amendment of this Procedure may be made with approval from more than two thirds of the total members of the board of directors (the total number of incumbent directors), and the resolutions of the audit committee shall be recorded in the meeting minutes of the board of directors.

### 5.4 Acquisition or Disposal of Assets

5.4.1 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 agency, engaging others to build on its own land, engaging others to build



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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 use a specific market value, specified market value, or special value as a reference basis for the transaction price, the transaction shall be submitted to the board of directors for prior approval. This same procedure shall apply to any subsequent change to the terms and conditions of the transaction.
- (2) Where the transaction amount reaches NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) In case of any one of the following circumstances with respect to professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation ("ARDF") and to render a specific opinion regarding the reason for discrepancy and the appropriateness of the transaction price:
  - (a) The discrepancy between the appraisal result(s) and the transaction amount is 20 percent or more of the transaction amount.
  - (b) 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 by a professional appraiser and the date of contract execution; provided, however, that where the publicly announced current value for the same period is applicable and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

5.4.2 The Company or any of its subsidiaries acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the target



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company for the most recent period that have been certified or reviewed by a certified public accountant, to be used as a reference basis for appraising the transaction price, and if the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant (CPA) prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. This foregoing requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by the regulations of the competent authorities.

5.4.3 Where the Company or any of its subsidiaries acquires or disposes of any intangible asset, or right-of-use asset thereof, or membership, and the transaction amount reaches 20 percent or more of the company’s paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall engage a CPA prior to the date of occurrence of the event to render an opinion regarding the reasonableness of the transaction price; and the CPA shall issue such opinion in compliance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

5.4.4 The transaction amount mentioned in clauses 5.4.1 to 5.4.3 shall be calculated in accordance with clause 5.8.1.2, and “within the last one year” shall mean one year starting from the date of occurrence of the transaction in question. Such calculated amount may not be factored in if a relevant appraisal report or accountant’s opinion has been obtained from a professional appraiser.

5.4.5 Acquisition of real property held not for business use and the right-of-use assets thereof, or the limit of investment in securities

(1) The Company shall not purchase any real property that is held not for business use and the right-of-use assets thereof in a total amount higher than 15 percent of the Company’s net worth. Any subsidiary of the Company shall not purchase any real property that is held not for business use and the right-of-use assets thereof in a total amount higher than 5 percent of the Company’s net worth.

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(2) The Company’s total investment amount in securities shall not exceed 50 percent of the Company’s net worth. Each subsidiary of the Company shall not invest in the aggregate more than 25 percent of the Company’s net worth in securities.

(3) The Company’s investment amount in each of the individual securities shall not exceed 25 percent of the Company’s net worth. The investment amount of any subsidiary of the Company in each of the individual securities shall not exceed 10 percent of the Company’s net worth. The foregoing investment amount in individual securities shall be calculated on the basis of the original investment costs.

(4)The Company’s transaction amount for acquiring or disposing of intangible assets, right-of-use assets thereof, or memberships shall not be more than 50 percent of the Company’s shareholders’ equity.

(5) The total investment amount of the Company and its subsidiaries in Mainland China shall not exceed the maximum amounts prescribed by the relevant competent authorities for limit on investment in Mainland China.

5.4.6 For acquisition or disposal of assets through court auctions, the Company and its subsidiaries may adopt the evidentiary documents issued by the court in lieu of an appraisal report or accountant’s opinion.

5.5 Related Party Transaction

5.5.1 When the Company or any of its subsidiaries intends to acquire or dispose of assets or right-of-use assets thereof from or to a related party, in addition to the passing of resolutions and evaluation of reasonableness of the terms and conditions of the transaction in accordance with this clause 5.5 and the preceding clauses of this Procedure, if the transaction amount reaches ten percent or more of the company’s total assets, it shall obtain an appraisal report or an accountant’s opinion from a professional appraiser in accordance with the foregoing clauses set forth herein. The transaction amount shall be calculated in accordance with clause 5.8.1.2. To identify whether a counterparty to the translation is a related party, the substance of the actual relationship shall be considered in addition to the legal form.

5.5.2 Procedure:

5.5.2.1 When the Company or any of its subsidiaries intends to acquire or dispose of real

5.5.2.2 The transaction amount mentioned in clause 5.5.2.1 shall be calculated in accordance with clause 5.8.1.2, and “within the last one year” shall mean one year starting from the date of occurrence of the transaction in question. Such calculated amount may not be factored in if a relevant appraisal report or accountant’s opinion

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has been obtained from a professional appraiser.

5.5.2.3 With respect to any of the following transactions to be made between the Company and any of its subsidiaries, or between its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or authorized capital, the board of directors may authorize the chairperson to decide such matter within a certain limit amount, and then have the decision submitted to and ratified by the next meeting of the board of directors.

(1) Acquisition or disposal of equipment held for business use or the right-of-use assets thereof;

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

5.5.2.4 Before submitted to the board of directors for discussion under clause 5.5.2.1, the transaction shall be approved by more than one half of the total members of the audit committee and by resolutions of the board of directors. Without approval from more than one half of the total members of the audit committee, the transaction made be made with approval from more than two third of the total members of the board of directors, and the resolutions of the audit committee shall be recorded in the meeting minutes of the board of directors. During the discussion of the board of directors, the opinions of each independent director shall be fully considered and any opinion of objection or reservation from the independent directors shall be put forward and recorded in the meeting minutes of the board of directors. The total members of the audit committee and of the board of directors shall refer to the actual incumbent members.

5.5.3 Evaluation of the reasonableness of transaction costs

5.5.3.1 The Company or any of its subsidiaries that acquires real property or the right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs on the basis of the following:

(1) 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 and its subsidiaries purchase the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the

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- (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, however, that 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 that 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.

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

5.5.3.3 The Company or any of its subsidiaries that acquires real property or the right-of-use assets thereof from a related party and appraises the cost of such real property or right-of-use assets in accordance with clause 5.5.3.1 and 5.5.3.2 shall engage a CPA to review the appraisal and render a specific opinion.

5.5.3.4 Where the Company or any of its subsidiaries acquires real property or the right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with clause 5.5.2, and clauses 5.5.3.1 to Article 5.5.3.3 will not apply:

- (1) The related party acquired the real property or the right-of-use assets thereof by 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 the right-of-use assets thereof to the signing date of the current transaction.
- (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging the related party to build real property, either on the company's own land or on rented land.
- (4) The real property right-of-use assets held for business use are acquired between the Company and any of its subsidiaries, or between its subsidiaries in which the Company directly or indirectly holds 100 percent of the issued shares or

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authorized capital.

5.5.4 When the Company or any of its subsidiaries conducts appraisal in accordance with clauses 5.5.3.1 and 5.5.3.2 but all appraisal results are lower than the transaction price, the transaction shall be processed in accordance with clause 5.5.5.

5.5.4.1 However, in the case of any of the following circumstances, the previous clause shall not apply, if objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA:

(1) Where the related party acquired the undeveloped land or leased land for development, it may submit proof in satisfaction of one of the following conditions:

a) The undeveloped land is appraised in accordance with Article 5.5.3, and the related party's construction costs plus reasonable construction profit of the houses are in the aggregate in excess of the actual transaction price. The "reasonable construction profit" shall be decided based on the average gross operating profit margin of the related party's construction department 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.

b) The transaction by persons other than related parties within the last one year involving other floors of the same property or any neighboring parcel of land, is found to have similar land areas and the transaction terms, after factoring-in of the reasonable price discrepancies in floor or area land prices, correspond to standard property market sale or leasing practices.

(2) The Company or any of its subsidiaries acquires real property or obtains real property right-of-use rights through leasing from a related party, and provides evidence that the terms of such transaction are similar to those of the transactions involving any neighboring parcel of land of a similar size by persons other than related parties within the last one year.

5.5.4.2 A transaction involving any neighboring land referenced in clause 5.5.4.1 shall in principle refer to a transaction involving any parcel of land situated in the same or



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an adjacent block and within a distance of no more than 500 meters or any parcel of land whose value is close in the publicly announced current value. Having (a) similar land area(s) or parcel(s) of land of a similar size shall in principle refer to, in transactions by persons other than related parties, parcel(s) with a land area of no less than 50 percent of the target property in the planned transaction. Within the last one year shall refer to the year commencing from the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

5.5.5 When the appraisal result is lower than the transaction price, the Company shall complete the following:

5.5.5.1 In the event that the Company or any of its subsidiaries acquires a real property or the right-of-use assets thereof from a related party, and the results of appraisals conducted in accordance with clauses 5.5.3 and 5.5.4 are uniformly lower than the transaction price, the following steps shall be taken:

- (1) A special reserve shall be set aside in accordance with relevant laws and regulations against the difference between the actual property or right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company or its subsidiary uses the equity method to account for its investment in other companies, then the special reserve called for under relevant laws and regulations shall be set aside pro rata consistent with the share of the company's equity stake in such other companies, if such other companies are publicly listed companies.
- (2) The independent directors of the audit committee shall supervise the Company's and its subsidiaries' implementation of the previous paragraph. For the purpose of such supervision, the independent directors of the audit committee may at any time investigate the company's businesses and financials, inspect the books and records of the company, and request the board of directors or officers to submit reports. The independent directors of the audit committee may on behalf of the company engage attorneys or CPAs to review the foregoing documentation.
- (3) Actions taken pursuant to the preceding two paragraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.



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5.5.5.2 The Company or any of its subsidiaries, having set aside a special reserve under clause 5.5.5.1, may not utilize the special reserve until the competent authority has given its approval, and the company has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or disposed of, or the lease contract of which has been terminated, or to which adequate compensation has been made, or the status quo ante of which has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction.

5.5.5.3 The Company or any of its subsidiaries shall still take actions pursuant to clauses 5.5.5.1 and 5.5.5.2 in its acquisition of real property or right-of-use assets thereof from a related party, even if there is other evidence indicating that the acquisition is not an arm's length transaction.

## 5.6 Derivative Trading

5.6.1 The Company or any of its subsidiaries engaging in trading of derivatives shall comply with the company's own Procedure for Trading of Derivatives.

## 5.7 Merger, Consolidation, Demerger, Acquisition, and Transfer of Shares

5.7.1 The Company or any of its subsidiaries conducting a merger, consolidation, demerger, acquisition, or transfer of shares, prior to convening the board of directors meeting to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share swap ratio, acquisition price, or distribution of cash or other assets to shareholders, and submit it to the board of directors for deliberation and approval. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective issued shares or authorized capital of the subsidiaries.

5.7.2 The Company or any of its subsidiaries participating in a merger, consolidation, demerger, or acquisition shall prepare the important contractual content and matters relevant to the merger, consolidation, demerger, or acquisition into public documentation prior to the shareholders' meeting, and send it along with the expert opinion referenced in clause 5.7.1. and shareholders' meeting notices to the

shareholders as their reference in deciding whether or not to approve the merger, consolidation, demerger, or acquisition, save for mergers, consolidations, demergers, or acquisitions which are exempted by other applicable laws from convening a shareholders' meeting to obtain shareholder approval. In the event that the shareholders' meeting of any one of the companies participating in the merger, consolidation, demerger, or acquisition fails to be convened or pass a resolution due to lack of a quorum, insufficient votes, or other legal restrictions, or the proposal is rejected by the shareholders' meeting, such company participating in the merger, consolidation, demerger or acquisition shall immediately publicly explain the reason, follow-up measures, and the preliminary date of the next shareholders' meeting.

### 5.7.3 Procedure:

5.7.3.1 The Company or any of its subsidiaries participating in a merger, consolidation, demerger or acquisition shall call a board of directors meeting and a shareholders' meeting on the same day as the other companies participating in the same merger, consolidation, demerger, or acquisition to resolve on matters pertaining to the merger, consolidation, demerger, or acquisition, unless otherwise required by other applicable laws or extraordinary circumstances to report to the competent authority for prior approval.

5.7.3.2 The Company or any of its subsidiaries participating in a transfer of shares shall call a board of directors meeting on the same day as the other companies participating in the same transfer of shares, unless required by other applicable laws or extraordinary circumstances to report to the competent authority for prior approval.

5.7.3.3 The Company and its subsidiaries participating in a merger, consolidation, demerger, acquisition, or transfer of shares shall prepare the following information into complete written records and retain the same for 5 years on file for inspection:

- (1) Basic identification information of personnel: including the occupational title, name, ID number (or passport number in case of foreign nationals) of all persons involved in or implementing the merger, consolidation, demerger, acquisition, or transfer of shares prior to public disclosure of the transaction.
- (2) Dates of material events: including the dates of signing any letter of intent or

(2) Any action such as a disposal of any material asset of the company that affects the

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financial operations of the company.

(3) Any event such as a catastrophe or major change in technology that affects the shareholders' equity or securities price.

(4) Any adjustment where any of the companies participating in the merger, consolidation, demerger, acquisition, or transfer of shares, buys back treasury shares from another company.

(5) Any increase or decrease in the number of entities or companies participating in the merger, consolidation, demerger, acquisition, or transfer of shares

(6) Other terms or conditions that the agreement stipulates may be altered and that have been publicly disclosed

5.7.6 The agreement for participating by the Company or any of its subsidiaries in a merger, consolidation, demerger, acquisition or transfer of shares shall specify the rights and obligations of the companies participating in the merger, consolidation, demerger, acquisition or transfer of transfers, and shall stipulate the following:

(1) Handling of breach of contract;

(2) Principles for handling equity based securities previously issued or treasury shares bought back by any company that is demerged or becomes extinguished in a merger;

(3) The number of treasury shares permitted by law for buyback by participating companies after the record date of calculation of the share swap ratio, and the principles for handling thereof;

(4) The manner of handling of changes in the number of participating entities or companies;

(5) Plan execution schedule, and anticipated completion date;

(6) Scheduled date for convening the legally mandated shareholders' meeting if the plan is not consummated timely, and relevant procedures.

5.7.7 If the Company or any of its subsidiaries, after public disposal of its participating in a merger, consolidation, demerger, acquisition, or transfer of shares, intends further to conduct a merger, consolidation, demerger, acquisition, or transfer of shares with other companies, all of the participating companies shall perform anew the procedures or legal actions that have been completed toward the original merger, consolidation, demerger, acquisition, or transfer of shares, unless where the number of the

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participating companies decreases, and such any other participating company as having adopted resolutions of the shareholders’ meeting and authorized its board of directors to change the scope of authority may be exempted from calling another shareholders meeting to resolve on the matter anew.

5.7.8 The Company or its subsidiary thereof shall sign an agreement with any non-public company participating in the merger, consolidation, demerger, acquisition, or transfer of shares, and clauses 5.7.3, 5.7.4 and 5.7.7 shall be complied.

5.8 Public Disclosure

5.8.1 Public Announcement; Reporting

5.8.1.1 Under any of the following circumstances, the Company or any of its subsidiaries acquiring or disposing of assets shall publicly announce and report the relevant information on the competent authority's designated website in the appropriate format as prescribed by the regulations of the competent authority and fitting to the nature of the transaction within 2 days of 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, wherein the transaction amount reaches 20 percent or more of the company’s paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, save for trading of domestic government bonds, or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.
- (2) Merger, consolidation, demerger, acquisition, or transfer of shares.
- (3) Losses from trading of derivatives reaching the maximum of aggregate losses or losses on individual contracts as set forth in the procedure adopted by the Company.
- (4) Acquisition or disposal of assets that are equipment or right-of-use assets thereof held for business use, from or to a transaction counterparty that is not a related party, and in a transaction amount meeting any of the following criteria:
  - a) For a company with a paid-in capital of less than NT\$10 billion, the

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transaction amount reaches NT\$500 million or more.

- b) For a company with a paid-in capital of NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
- (5) Acquisition or disposal of real property held for construction use, from or to a transaction counterparty that is not a related party, by the Company or any of its subsidiaries conducting construction business, and in the transaction amount reaching NT\$500 million or more; and in such case, if the company has a paid-in capital of NT\$10 billion or more, and is disposing of real property from a construction project completed by itself, with a transaction counterparty that is not a related party, in a transaction amount reaching NT\$1 billion or more.
  - (6) Acquisition of real property under an arrangement for 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, in which the transaction counterparty is not a related party, and the Company or its subsidiary expects to invest NT\$500 million or more.
  - (7) Any other transaction in an amount of NT\$300 million or more, or 20 percent or more of the company's paid-in capital, other than any disposal of receivables by any financial institution, or investment in the Mainland China area, or the asset transactions referred to in the preceding 6 paragraphs, except any of the following:
    - a) Trading of domestic government bonds;
    - b) Trading of securities on a securities exchange or an OTC venue performed by professional investors, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debts) that are offered and issued in the primary market, or subscription or repurchase of securities investment trust funds or futures trust funds, or subscription of securities in accordance with the regulations of the Taipei Exchange by a securities firm as necessitated by its underwriting business or acting as an advisory/ recommending securities



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firm to an emerging stock company.

- c) Trading of bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

5.8.1.2 The transaction amount referenced in clause 5.8.1.1 shall be calculated as below:

- (1) The amount of each 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 last one year.
- (3) The cumulative transaction amount of acquisitions or disposals (cumulative sum of transaction amounts separately for acquisitions and disposals) of real property or right-of-use assets thereof of the same development project within the last one year.
- (4) The cumulative transaction amount of acquisitions or disposals (cumulative sum of transaction amounts separately for acquisitions and disposals) of the same securities within the last one year.

5.8.1.3 "Within the last one year" mentioned in the preceding paragraph refers to the year immediately preceding the date of occurrence of the transaction. Transactions duly publicly announced in accordance with this Procedure need not be counted toward the transaction amount.

5.8.1.4 The Company shall, by the 10th day of each month, make monthly reports on the trading of derivatives conducted up to the last day of the preceding month by the Company and the subsidiaries thereof that are not publicly listed companies in Taiwan by entering the information in the prescribed format into the information reporting website designated by the competent authority.

5.8.1.5 In the event the Company or any of its subsidiaries makes any error or omission in items required by applicable regulations to be publicly announced and so is required for correction, the company shall re-publish the public announcement and report all items in their entirety within 2 days from the date of knowing such error or omission.

5.8.1.6 The Company or any of its subsidiaries acquiring or disposing of assets shall keep



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all relevant contracts, meeting minutes, log books, appraisal reports and opinions of CPA, attorney, and securities underwriter at the company for at least 5 years, unless otherwise provided by other applicable laws.

5.8.2 Where any of the following circumstances occurs with respect to a transaction that the Company or any of its subsidiaries has already publicly announced and reported in accordance with clause 5.8.1, a public report of relevant information shall be made on the information reporting website designated by the competent authority within 2 days counting inclusively from the date of occurrence of the event:

1. Any change, termination, or cancellation of the agreement signed in regard to the transaction.
2. The merger, consolidation, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the relevant agreement.
3. Any change to the originally publicly announced and reported information.

5.9 Supplementary Clauses

5.9.1 Any subsidiary of the Company which is not a publicly listed company in Taiwan shall make public announcement and reporting of transactions in accordance with the procedure as follows:

5.9.1.1 The Company shall make the public announcement and reporting of the information required to be publicly announced and reported in accordance with clause 5.8 of any acquisition and disposal of assets by such subsidiary.

5.9.1.2 The paid-in capital or total assets threshold for public announcement and reporting applicable to clauses 5.9.1.1 and 5.8.1.1, shall be determined based on the paid-in capital or the total assets of the Company.

5.9.2 The control procedure for acquisition or disposal of assets by the Company and its subsidiaries:

(1) In the event that any internal audit officer discovers any material breach of law or regulation, he or she shall immediately give a written notice to the Company and the subsidiaries thereof who shall accordingly perform follow-up measures on the handling and subsequent remediation progress.

5.9.3 Any personnel of the Company or any subsidiary thereof who violates this Procedure, shall be disciplined in accordance with the human resources management rules of the

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Company or such subsidiary.

5.9.4 The 10 percent of total assets under this Procedure shall be calculated based on the amount of the total assets stated in the most recent separate (non-consolidated) financial statements or individual financial statement prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

5.9.5 Matters not contained herein shall be governed by the applicable laws and other relevant regulations of the Company.

## 6. Other Relevant Procedural Requirements

None.

## 7. Forms

None.