

# **CENTRAL REINSURANCE CORPORATION**

## **PROCEDURES FOR ACQUIRING AND DISPOSING OF ASSETS**

### **Article 1**     Accordance

The Procedures is set forth in accordance with the provisions of Paragraph 1 of Article 6 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

### **Article 2**     The Scope of Assets

The term “assets” as used in the Procedures includes the following:

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

Acquisition and disposal of derivatives shall be in compliance with “Procedures for Transaction of Financial Derivatives” of the Company.

### **Article 3**     Definitions

Terms used in the Procedures are defined as below:

1. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through

mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the “Company Act”.

2. Related party or subsidiary: As defined in the “Regulations Governing Preparation of Financial and Operational Reports by Insurance Institutions”.
3. 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.
4. 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.
5. 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.
6. Total assets: Refers to the total assets stated in the most recent Company’s financial report prepared under the “Regulations Governing Preparation of Financial and Operational Reports by Insurance Institutions”.
7. Securities exchange: “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.
8. Over-the-counter venue (“OTC venue”, “OTC”): “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 the foreign competent authority and that is permitted to conduct securities business.

#### **Article 4** Operating Procedures

1. The degree of authority delegated and the levels to which authority is delegated:

shall be executed in accordance with the Company's table of governing the delegation of authority and responsibility.

## 2. Execution Unit and transaction process:

(1) With respect to the acquisition or disposal of securities, the execution unit shall analyze and forecast the future outlook based on the market condition, so as to formulate trading terms and get the approval of Authorized level in accordance with the Company's table governing the delegation of authority and responsibility.

Acquisition and disposal of securities shall be in compliance with "Procedures for Governing Various Applications of Funds" of the Company.

(2) With respect to the acquisition or disposal of real property, the execution unit shall formulate trading terms and obtain an appraisal report issued by the professional appraiser before get the approval of the Chairman and audit committee and submit a proposal for discussion by the board of directors.

(3) With respect to the acquisition or disposal of equipment and other assets, the execution unit shall conduct analysis and appraisal of the transaction, and formulate trading terms and get approval in accordance with the Company's table governing the delegation of authority and responsibility.

## **Article 5** Appraisal Procedures

The acquisition or disposal 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 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 approved by audit committee and submitted to the board of directors for resolution in advance; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more

professional appraisers shall be obtained.

3. 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, a certified public accountant (CPA) shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation of the ROC (hereinafter referred to as "ARDF") and render a concrete opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

(1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

(2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.

4. No more than 3 months may elapse between the date of the appraisal report issued 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.

The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain the financial statements of the issuing company for the most recent period, certified or reviewed by a CPA for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally engage a 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 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 Financial Supervisory Commission (hereinafter referred to as "FSC").

Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of 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 on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Paragraph 2 of Article 6 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 a CPA’s opinion has been obtained need not be counted toward the transaction amount.

Where the Company acquires or disposes of assets through court auction procedures, the certified documentation issued by the court may be substituted for appraisal reports or CPA opinion.

#### **Article 6** Items and Standards of Public Disclosure

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC’s designated website in the appropriate format as prescribed by regulations two hours before the beginning of trading hours on the next business day following 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 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; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprise.
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 “Procedures for Transaction of Financial Derivatives” of the Company.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.

5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.

6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables, or an investment in the Mainland China area reaches 20 percent or more of the Company's paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:

(1) Trading of domestic government bonds.

(2) Securities trading on securities exchanges or OTC markets or subscription of ordinary corporation bond or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds.

(3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds issued by the securities investment trust enterprise.

The transaction amount of the preceding paragraph 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 trading 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.

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

The Company shall compile monthly reports on the status of derivatives transactions engaged in up to the end of the preceding month and file the information in the

prescribed format on the information reporting website designated by the FSC by the 10th day of each month.

In the event of the items which are required for public announcement contain error or omission and shall be rectified, all the items shall be again publicly announced and reported in entirety two hours before the beginning of trading hours on the next business day following the date of realizing the event.

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 regulations, a public report of relevant information shall be filed on the website designated by the FSC two hours before the beginning of trading hours on the next business day following the date of occurrence of the event:

1. Amendment, 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 before the scheduled date set forth in the contract.
3. The contents of the originally publicly announced and reported information have changed.

The Company acquiring or disposing of assets shall retain all relevant contracts, meeting minutes, memorandum books, appraisal reports and the opinions provided by CPA, attorney, and securities underwriter in the Company headquarters for 5 years at least except where another act provides otherwise.

## **Article 7** The Limits of Investment Amount

The limits of investment amount shall be followed as below:

1. The total investment amount of real property and right-of-use assets thereof for non-business use shall be in accordance with the provisions of Article 146-2 of the “Insurance Act” and the related regulations.
2. The total investment amount of securities and limits of individual securities shall be in accordance with the provisions of Article 146-1, Article 146-5 and Article 146-6 of the “Insurance Act”.
3. The total investment amount of foreign investment shall be in accordance with the provisions of Article 10 of the “Regulations Governing Financial and Business Operations of Professional Reinsurance Enterprises”.

**Article 8** The Disqualifying Criteria of The Providers of Appraisal Reports or Professional Opinions

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

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of the Company and any party to the transaction.
3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

**Article 9** Procedures for Acquiring or Disposing of Assets with Related Parties

The Company acquiring or disposing of assets from or to a related party shall follow the relevant decision making process and evaluate the reasonableness of trading terms in accordance with Article 4, 5, 10, 11 and this Article. Besides, the transaction amount reaches 10 percent or more of the Company's total assets, the Company shall obtain an appraisal report from a professional appraiser or a CPA's opinion.

The transaction amount referred in the preceding paragraph shall be calculated in accordance with Paragraph 4 of Article 5.

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

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more,

except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and submitted to the board of directors for a resolution in accordance with Article 15:

- 1.The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- 2.The reason for choosing the related party as a trading counterparty.
- 3.With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 10 and Article 11.
- 4.The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.
- 5.Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- 6.An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with Paragraph 1.
- 7.Restrictive covenants and other important stipulations associated with the transaction.

The transaction amounts referred in the Paragraph 4 shall be calculated in accordance with Paragraph 2 of Article 6 and "within the preceding year" as used herein refers to one year preceding the date of occurrence of the current transaction. Transactions that have been approved by audit committee and submitted to the board of directors for a resolution need not be counted toward the transaction amount.

**Article 10** Evaluation Methods of the Transaction Costs for Acquiring Real Property or right-of-use assets thereof from a Related Party

Acquiring a real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

- 1.Based on the price of transaction with the related party plus necessary interest on

funding and other costs to be duly borne by the buyer. The necessary interest on funding shall be calculated based on the weighted average of the interest rate on borrowing during the year the Company purchases the property. However such interest rate shall not exceed the maximum lending rate for non-financial institutions published by the Ministry of Finance.

2.Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

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.

When acquiring real property or right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or right-of-use assets thereof in accordance with the preceding two Paragraph, in the meantime shall also engage a CPA to review the appraisal and render a specific opinion.

Where the Company acquires real property or right-of-use assets thereof from a related party under any of the following circumstances, the acquisition shall be conducted in accordance with Paragraph 4 to 5 of Article 9 and the preceding three paragraphs do not apply:

- 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 real property, either on self-owned land or on rented land.
- 4.The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

**Article 11** Procedure for the Respective Results of Evaluations Are Less Than the Transaction Price with Related Parties

Where the Company acquires the real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Article 10 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
2. Independent directors of 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 acquires real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was a non-arm's-length transaction.

Where the following circumstances exist, objective evidence has been submitted and concrete opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, the preceding three paragraphs 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 methods 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.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; 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 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

## **Article 12** Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the audit committee and board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to provide opinions on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit the opinions to audit committee for approval and submit 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 percent 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 percent of the respective subsidiaries' issued shares or authorized capital.

The Company participating in a merger, demerger or acquisition shall prepare a public report to shareholders detailing important contractual content, matters relevant to the merger, demerger, or acquisition, and the expert opinions of the preceding paragraph and the outcome of audit committee prior to the shareholders meeting 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 the 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 Company shall publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting without delay.

The companies participating in a merger, demerger or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

The companies participating in a transfer of shares shall convene 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.

When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in 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 mergers, demergers, acquisitions, 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, two hours before the beginning of trading hours on the next business day following 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 companies in accordance with the preceding two paragraphs.

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

When participating in a merger, demerger, acquisition or transfer of shares, the share exchange ratio and acquisition price shall not be arbitrarily altered, except for the below-listed circumstances which shall be stipulated in the contract of merger, demerger, acquisition or transfer of shares:

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

5. Any change in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
6. Other terms and conditions that the contract stipulates may be altered and that have been publicly disclosed.

When participating in a merger, demerger, acquisition or transfer of shares, the contract thereof shall specify the rights and obligations of any participating companies, as well as the following matters:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back 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. Measures of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution and anticipated completion date.
6. According to the law the scheduled date for convening a shareholders meeting and relevant procedures if the plan exceeds the deadline without completion.

After the information about merger, demerger, acquisition or transfer of shares have been disclosed, if any of the participating companies intends to carry out a further 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.

Where any of the companies participating in the merger, demerger, acquisition or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company in accordance with the provisions of Paragraphs 4 to 9 and Paragraph 12.

**Article 13** Penal Provisions

The personnel responsible for acquisition or disposal of assets violates the Procedures shall be penalized according to the relevant personnel management regulations of the Company.

**Article 14** Unmentioned Matters

Any other matter or event not stipulated in the Procedures shall be managed in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and related regulations.

**Article 15** Additional Provisions

Any amendment of the Procedures or any transaction of major assets shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and this resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms “all audit committee members” in Paragraph 1 and “all directors” in Paragraph 2 shall be counted as the actual number of persons currently holding those positions.

When the proposal of the Procedures amendment or transaction for the acquisition or disposal of assets are submitted to the board of directors for discussion, the board of directors shall take into full consideration for each of independent director’s opinion. If an independent director raises objections or expresses reservations to the amendment or the transaction, it shall be recorded in the minutes of the board of directors meeting.

**Article 16** Effectiveness

Any amendment of the Procedures shall be approved by the audit committee, and submitted to the board of directors for resolution, and then submitted to the shareholders’ meeting for approval.

## **The History of “PROCEDURES FOR ACQUIRING AND DISPOSING OF ASSETS”**

1. The Procedures was made on October 14, 2003.
2. The 1st amendment was made on June 3, 2005.
3. The 2nd amendment was made on June 15, 2007.
4. The 3rd amendment was made on June 15, 2011.
5. The 4th amendment was made on June 15, 2012.
6. The 5th amendment was made on June 13, 2013.
7. The 6th amendment was made on June 11, 2014.
8. The 7th amendment was made on May 31, 2017.
9. The 8th amendment is made on May 29, 2019.