

Andes Technology Corporation  
Operational Procedures for the Acquisition or Disposal of Assets

**Chapter One General Provisions**

Article I. These are duly enacted in accordance with the "Securities and Exchange Act" and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the like. The Company shall acquire or dispose of assets exactly in accordance with these Procedures unless otherwise specified in laws and ordinances concerned which shall prevail, if any.

Article II. The scope which the assets apply is as enumerated below:

- I. 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
- II. Real property (including land, houses and buildings, and investment property) and equipment.
- III. Membership certificates.
- IV. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- V. Right-of-use assets.
- VI. Creditor's right claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- VII. Derivative financial instruments
- VIII. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- IX. Significant assets in other attributes.

Article III. Definition of terminology:

- I. Derivative instruments: Such assets as forward contracts, options contracts, futures contracts, leverage guarantee 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" herein excludes insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- II. Such assets acquired or disposed of through mergers, demergers, acquisitions, or acceptance of transfer of shares in accordance with law: Such term refers to assets acquired or disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, the 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

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Paragraph 3, Article 156 of the Company Act.

- III. Related parties, subsidiaries: To be duly defined in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- IV. Professional appraiser: This term refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- V. Date of occurrence of the fact: This term refers to the date of contract signing, date of payment, date of consigned trade, date of transfer, dates of boards of directors resolutions, or other date that confirms the counterpart and monetary amount of the transaction, whichever date comes earlier; provided 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.
- VI. Mainland China area investment: This refers to investments in the mainland China area as approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- VII. 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.
- VIII. 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.

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**Chapter Two Handling procedures**

Section One. Stipulation of the handling procedures

Article IV. Operational Procedures for the Acquisition or Disposal of Assets

- I. Scope of the assets: As detailed under Article II.
- II. Prices in acquisition or disposal of assets shall be duly determined in the manners with the referential grounds as enumerated below:
  - (I) In acquisition or disposal of long-term and short-term negotiable securities, the Company shall take into account the net worth per share, prices prevalent in the markets, profitability, potential of future development, interest rate in the markets, face interest rates of the bounds as well as overall circumstances.
  - (II) In acquisition or disposal of assets other than those as enumerated in the preceding Paragraph, the Company shall take into reference the publicly announced current values, transaction prices of neighboring real estate to determine the right prices through inquiry, price competition, price negotiation bargaining process or open tenders etc. Where a case proves consistent with these Procedures that call for public announcement and filing, the Company shall take reference to the appraisal report(s) issued by a professional appraiser(s).
- III. Operational procedures:

The department in charge shall conduct an appraisal toward the targets for acquisition or disposal, transaction counterparts, causes of transaction, prices of transactions, transaction conditions and referential grounds for prices. In the event that the requirements set forth under these Procedures and internal control system, the heads in various levels of the departments concerned shall put into implementation hierarchical responsibility rule hierarchical structure of responsibilities. In a single case with a transaction amount in excess of NT\$200 million, that transaction case shall be subject to retrospective acknowledgement by the Board of Directors.
- IV. The procedures for public announcement and filing shall be duly handled in accordance with Chapter Three and the provisions to make information public.
- V. For the aggregate total amount of negotiable securities as the assets obtained by the Company and its subsidiaries as defined under Paragraph I, Article II, degree of authority delegated is as enumerated below:
  - (I) In case of long-term equity investment oriented to purposes of business, the transaction calls for approval from the chairman, or, in a case in excess of NT\$200 million in amount, calls for approval from the Board of Directors.
  - (II) In case of investment in other long-term and short-term negotiable securities toward a same investment target in accumulated amount below

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NT\$200 million within a fiscal year, the transaction calls for approval from the chairman as authorized, or, in a case in excess of NT\$200 million in amount, calls for approval from the Board of Directors.

(III) Where a subsidiary acquires or disposes of real estate, right-of-use assets or negotiable securities not oriented to business use or the individual securities, the degree of authority delegated and amount are same as those for the Company itself.

VI. Where a subsidiary intends to engage in the acquisition or disposal of assets, the Company shall urge that subsidiary to duly stipulate the Operational Procedures for the Acquisition or Disposal of Assets and comply with all in implementation.

VII. Other significant issues:

Where the Company engages in related party transaction, derivative financial instrument transaction or proceeds with merger, demerger, acquisition, or transfer of another company's shares, other than compliance with the provisions set forth under the preceding Paragraph, the Company shall further duly stipulate the Operational Procedures in accordance with Sections Three ~ Five of this Chapter. If the company does not intend to engage in derivatives trading, it may, after obtaining the approval of the board of directors, be exempted from adopting procedures governing derivatives trading. If it subsequently wishes to engage in derivatives trading, it will still be required first to comply with the article XXXI and the preceding paragraph before doing so.

Section Two. Acquisition or disposal of assets

Article V. In acquiring or disposing of real property, equipment or right-of-use assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging 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 held for business use, the Company 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:

- I. Where, due to an extraordinary reason, the Company is necessary to give a limited price, specified price, or extraordinary 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 and conditions of the transaction.
- II. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- III. 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

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amount, a certified public accountant shall be retained to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

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

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

IV. No more than three(3) months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided that, where the publicly announced current value for the same period is used and not more than six (6) months have elapsed, an opinion may still be issued by the original professional appraiser.

Article VI. The Company shall, while acquiring or disposing of securities, prior to the date of occurrence of the event, obtain financial statements of the target company of the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20% of the Company's paid-in capital or NT\$300 million or more, the Company shall additionally retain a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the rationality of the transaction price. If the certified public accountant needs to use the report of an expert as evidence. This requirement, nevertheless, does not apply to publicly quoted prices of negotiable securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission, Executive Yuan.

Article VII. Where the Company acquires or disposes intangible assets, right-of-use assets or membership certificates of membership certificates or intangible assets and the transaction amount reaches 20% 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 retain a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Paragraph 2, Article 27 herein, 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 certified public accountant's opinion has been obtained need not be counted toward the transaction amount.

Article VIII. Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be accepted instead of the appraisal report or certified public accountant opinion.

Article IX. Where appraisal reports, or expert opinions from a certified public accountant, Attorney-at-Law or securities underwriter are obtained, such profitable appraiser and the appraisal personnel thereof, certified public accountant, Attorney-at-Law or securities underwriter shall meet the following requirements:

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- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the 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.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When conducting 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 report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- III. They shall undertake an item-by-item evaluation of the appropriateness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and accurate, and that they have complied with applicable laws and regulations.

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Section Three. Transactions with related parties

Article X. Where the Company acquires or disposes of assets from a related party, except acquisition of real estate through purchase or swap, in addition to ensuring that the necessary resolutions are adopted and the rationality of the transaction terms is appraised, 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 a certified public accountant's opinion in compliance with the provisions of the preceding Section. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article VII herein. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article XI. Where the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or where it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription to or redemption of money market funds issued by domestic securities investment trust enterprises, the Company shall proceed to enter into a transaction contract or make a payment until the following matters have first been approved by one-half or more of all audit committee members and then submitted to the board of directors for a resolution:

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reason for choosing the related party as a transaction counterparty.
- III. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the rationality of the preliminary transaction terms in accordance with Article XII and Article XIII.
- IV. The date and price at which the related party acquired the real property previously, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- V. The monthly cash flow forecasts for the year ahead commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and rationality of the funds utilization.
- VI. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding Article.
- VII. The restrictive covenants and other important stipulations associated with the transaction.

If a public company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders

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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 public company and its parent company or subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in the preceding paragraph shall be conducted in accordance with Paragraph II, Article XXVII herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the shareholders meeting or Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.

In cases of the types of transactions listed below to business operation by and between the Company and its parent company or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Board of Directors may authorize the chairman to go ahead beforehand within the specified limit before reporting the transaction to the most recent board of directors meeting for respective acknowledgement:

- I. I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- II. II. Acquisition or disposal of real property right-of-use assets held for business use.

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

- I. Pursuant to 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 that, it shall not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. The total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as collateral for a loan; provided that 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 one year or more. This shall not apply, nevertheless, 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 target purchased or leased in one transaction, the transaction costs for the land and the structures shall be separately appraised in accordance with either of the means listed in the preceding paragraph.

Where the company 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 the preceding two paragraphs shall also further turn to



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the certified public accountant for a recheck and for concrete opinions. Where one of the following circumstances exists, the case shall be conducted in accordance with the preceding article and the preceding three paragraphs shall not apply:

- I. Where related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
- II. Where more than five (5) years has elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof.
- III. Where the real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
- IV. 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 XIII. Where the results of the Company's appraisal conducted in accordance with Paragraphs I and II of the preceding Article are uniformly lower than the transaction price, the case shall be handled in compliance with Article XIV. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on rationality have been obtained from a professional real property appraiser and a certified public accountant have been obtained, this restriction shall not apply:

- I. Where the related party acquired undeveloped land or leased land for development, it shall submit proof of compliance with one of the following conditions:
  - (I) Where the 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 three (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.
  - (II) The transactions by unrelated parties within the preceding year involving other floor levels 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.
- II. 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 past one year.

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The term "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% of the property in the planned transaction. The term "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 XIV. 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 preceding two articles are both lower than the transaction price, the following steps shall be conducted:

- I. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real property or right-of-use assets thereof transaction price and the appraised cost, and shall 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 Paragraph 1, Article 41 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.
- II. The independent director of audit committee members shall duly comply with Article 218 of the Company Act.
- III. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and the investment prospectus.

The Company that has set aside a special reserve under the preceding Paragraph shall not utilize the special reserve until it has recognized a loss on decline in the 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 proving that there was nothing irrational about the transaction, and the competent authority has granted its consent.

Where the Company obtains real property from a related party, it shall also comply with the two preceding Paragraphs if there is other evidence indicating that the acquisition was not a transaction pursuant to regular practices.

Section Four. Transactions in derivative financial instruments

Article XV. The Company shall engage in derivative financial instrument trading in the categories as defined under Article III of these Operational Procedures. The Company in principle does not acquire or dispose of creditor's rights of a financial institution. In the event that the Company intends to transact creditor's rights of a financial institution subsequently hereafter, the Company shall first report to its Board of Directors for approval before stipulating the evaluation and operational

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procedures.

The Company, while engaging in derivatives trading, shall pay strict attention to control of the following important risk management:

- I. Operational and hedging strategies: The Company engages in transaction in derivative financial instruments only in an attempt to reduce operational risks and exchange risks. Under no circumstances shall the Company engage in speculative transactions. In hedging transactions, the Company shall check and make sure that the transaction should be consistent with the supply and demand deriving from the receivable (payable) foreign currencies beforehand.
  1. The Company aims at only well reputed financial institutions as the counterparties for transactions.
  2. The Company primarily operates in the open foreign exchange markets provided by banks.
  3. The Company shall, primarily, choose financial instruments of high liquidity (e.g., forward foreign exchange). The transaction counterparties (financial institutions) shall be the ones with adequate information and capability of transaction at the relevant markets all the time.
- II. Aggregate total of contract amounts: Transaction in foreign exchange hedging shall be consistent with the requirements of the Company's business operation in principle with the aggregate total in the transaction not in excess of 20% of the Company's net worth and the duration of a transaction contract shall not be longer than the maximum limit of six (6) months.
- III. Maximum limit in stop-loss:
  1. The maximum loss in a contract of an individual hedging target is 10% of the contract value.
  2. The maximum loss in all contracts 10% of the aggregate total contract value.
- IV. Degree of authority delegated: In a case of foreign exchange hedging operation engaged by the Company, it may be approved by the chairman if the transaction amount or accumulated outstanding transaction is below US\$3 million and shall be approved by the Board of Directors is beyond US\$3 million.
- V. Operational procedures:
  1. The Department of Finance shall, in response to the substantial supply and demand in foreign currencies, choose financial institutions of better capabilities to draft the amounts of transactions and submit them to the chairman for approval before execution of the agreement of the transaction amounts and, in turn, proceed with the transaction of derivative financial instruments within the limit set forth under the agreement(s).

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2. The personnel in charge of transaction in derivative financial instruments shall, on the grounds of the details of the aggregated details of the foreign currency positions, study and judge based on the trends of exchange rates and proceed with the hedging operation as necessary.
3. For the transaction prices closed by and between the transaction personnel and a financial institution, the transaction memo shall be duly filled in, with the duplicate copies of the transaction memos to be submitted to the Department of Finance which shall, in turn, assign special personnel and check and verify the contents of the substantial transactions based on the duplicate copies of the transaction memos and then submit the same to the Finance Supervisor for recheck.
4. Where transactions of all items are completed in confirmation process, the Company shall inform the settlement personnel to proceed with the subsequent settlement affairs.
5. For transactions in derivative financial instruments, the Company shall prepare for memorandum books that shall expressly bear the categories, amounts of the transactions in derivative financial instruments, date when the Board of Directors resolves the transactions and matters of evaluation conducted under these Procedures in very detail.

#### VI. Division of powers and responsibilities:

1. The personnel in charge of transactions (by the Finance Supervisor): Such personnel shall, based on the net position of foreign currencies, submit the strategy for future operations on a monthly basis and shall, after the strategy is approved by the chairman, duly operate based on the approved strategy. In case of a significant change in the financial markets where the established operational strategy is no longer applicable, such personnel shall work out and submit evaluation reports and work out the operational strategy anew to be approved by the chairman to function as the very grounds for transaction.
2. Delivery personnel ( To be served by financial personnel ) : To take charge of the subsequent delivery issues after the transaction is completed.
3. Confirmation personnel (To be served by accounting personnel):
  - (1) Such personnel shall assume the responsibility to analyze all positions and profit and/or loss and report to the General Manager.
  - (2) Such personnel shall check and make sure whether all transactions have been handled exactly in accordance with the established strategies.
  - (3) Such personnel shall proceed with accounting handling pursuant to the letters and decrees of the competent authority(ies).
  - (4) The Board of Directors shall designate the ranking heads beyond the Department of Finance or such heads assuming no

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responsibility for the risk affairs with measurement,  
superintendence and control over the risks concerned.

VII. The very essentials of performance evaluation:

1. In hedging transactions, the Company shall conduct the transaction based on the exchange rate costs on book of the Company, and the profit and/or loss incurred with the transactions in derivative financial instruments as the very ground for evaluation.
2. To assure adequate domination and expression of the evaluation risks in the transaction, the Company evaluates the profit and/or loss through appraisal on a monthly basis.
3. The Department of Finance shall provide the evaluation of the foreign exchange positions and the foreign exchange market trends into analyses as handy reference to the management.

Article XVI. While engaging in transactions in derivative financial instruments, the Company shall adopt the following measures in risk control:

- I. Management over the operational risks:
  1. The Company shall faithfully comply with the degree of authority delegated to prevent potential risks in credit, prices in markets, liquidity, cash flow, operation and legal risks.
  2. The personnel in charge of transactions in derivative financial instruments, confirmation and delivery shall not serve such posts concurrently among themselves.
  3. In terms of measurement of risks, the personnel in charge of superintendence and control shall come from departments differing from the personnel mentioned in the preceding Paragraph and shall report to the Board of Directors or the senior management who assumes no responsibility of transaction or position policymaking process.
  4. The transactions in derivative financial instruments, in case of hedging transaction conducted in response to the business need, shall be evaluated biweekly while other transactions shall be evaluated weekly. The evaluation reports so worked out shall be submitted to the senior executives.
- II. The contracts to be executed as linked up with transactions shall be checked and verified beforehand to prevent a potential impairment that might occur subsequently hereafter.
- III. The hands-on operation personnel shall be those equipped with integrated and correct expertise about the financial instruments and shall request that the banks should put potential risks into adequate disclosure to prevent a potential impairment as a result of misuse of financial instruments.
- IV. Management over cash flow risks: To assure stable turnover of working

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capital, the funds shall come from such sources only as private own funds. The forecast without any potential shortage in the future revenues and expenditures in cash shall be the very premise of consideration.

Article XVII. Where the Company engages in transactions in derivative financial instruments, the Board of Directors shall assure sound superintendence and management based on the principles as enumerated below:

- I. The designated ranking management shall closely watch the superintendence and control over potential risks of transactions in derivative financial instruments.
- II. The management shall, on a regular basis, evaluate whether the transactions in derivative financial instruments are in the performance level satisfactory to the established managerial strategies and whether the potential risks are within the scope tolerable to the Company.

The senior management delegated by the Board of Directors shall engage in derivative financial instruments based on the principles as enumerated below:

- I. Such senior management shall evaluate, on a regular basis, whether the risk control measures are appropriate enough, and whether the measures have been implemented exactly in accordance with these Procedures.
- II. In superintendence over the transaction and the profit and/or loss, whenever an abnormality is noticed, the senior management shall adopt countermeasures as appropriate and shall report to the Board of Directors forthwith. The Board of Directors shall contain the independent director (s) who shall speak opinions.

Where the subject issues are handled through the personnel duly delegated as mentioned above, the report shall be submitted to the Board of Directors into the most recent board meeting.

Article XVIII. Audit control

- I. The internal auditors shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading and prepare an audit report. If any material violation is discovered, the internal auditors shall keep all supervisors and independent directors informed in writing.
- II. The contents of audit or test by the internal auditors shall include the policies to engage in derivative financial instruments, limits in transactions, transaction procedures, evaluation process and risk control. The internal auditors shall, in particular, look into and review transactions deviating from the market prices, volume of abnormal transactions, extraordinary transaction beyond the routine transaction hours and beyond the business premises. If any material violation is discovered, all audit committee members shall be notified in writing.

Section Five. Merger, demerger, acquisition, or transfer of another company's shares by enterprises

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- Article XIX. Where the Company conducts a merger, demerger, acquisition, or acceptance of transfer of shares, prior to convening the board of directors to resolve on the matter, the Company shall engage a certified public accountant, attorney, or securities underwriter to give an opinion on the rationality 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 rationality issued by an expert may be exempted in a case of a merger by the Company's subsidiary in which the Company 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.
- Article XX. 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 Paragraph I of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided that, 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.
- Article XXI. Unless otherwise specified in laws and ordinances concerned or consented by the competent authority in an extraordinary circumstance, all companies participating in a merger, demerger, or acquisition shall convene the board of directors meetings and shareholders' meetings on the same day to resolve decisions regarding merger, demerger, acquisition issues. Unless otherwise specified in laws and ordinances concerned or an extraordinary event with consent obtained from the Financial Supervisory Commission, Executive Yuan in response to a prior report, all companies participating in transfer of shares shall convene the board of directors meeting on the same day.
- Article XXII. The Company shall work out the information and data as enumerated below in writing in an integrated manners and shall archive them ready for check for five (5) years.
- I. Fundamental 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.
  - II. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the retaining of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
  - III. 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.

The Company shall duly declare the information and data mentioned in the

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preceding Paragraph in the specified format through the Internet system to the competent authority for information within two (2) days from the date on which the Board of Directors resolves the decision.

Where a single company participating merger, demerger, acquisition, or transfer of another company's shares is not a public company, the Company shall execute an agreement with such company and duly handle the issue in accordance with the two preceding Paragraphs, and the provisions of Article XXI, Article XXIII.

Article XXIII. All personnel participating in a merger, demerger, acquisition, or transfer of another company's shares shall issue commitment to confidentiality obligations for no divulgence of the contents of the plan externally until such information is made public, nor shall they engage in merger, demerger, acquisition, or transfer of shares or equity attributed negotiable securities of any relevant companies in their own names or in the name of another.

Article XXIV. The Company shall not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall further stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

- I. 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.
- II. An act, such as a disposal of major assets, that affects the Company's financial or business operations.
- III. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
- IV. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stocks.
- V. An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- VI. Other terms and conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article XXV. The contract shall expressly record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record the following particulars:

- I. Handling of breach of contract, if any.
- II. Principles for the handling of equity-attributed securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
- III. 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



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the principles for handling thereof.

- IV. The manner of handling changes in the number of participating entities or companies.
- V. Preliminary progress schedule for plan execution, and date for anticipated completion of the plan.
- VI. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures thereof.

Article XXVI. After public disclosure of the information concerned, 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.

### **Chapter Three Disclosure of information to public**

Article XXVII. Where any of the following circumstances exists, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the website designated by the competent authority in an appropriate format as prescribed within two (2) days counting inclusively from the date of occurrence of the event:

- I. 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 Company's total assets, or NT\$300 million or more; provided that, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription to or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. An act to engage in merger, demerger, acquisition, or transfer of shares.
- III. Losses from derivatives trading reaching the maximum limits on aggregate losses or losses on individual contracts set out in the procedures.
- IV. An event where the equipment or right-of-use assets oriented to business use is acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount is up to NT\$500 million or more.
- V. A case of acquisition by the Company in the construction business to build by means where the land is acquired under an arrangement on engaging others to

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build on the Company's own land, engaging others to build on rented land, joint construction into allocation of housing units, joint construction and allocation of ownership percentages, on its own land into divided sales 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.

- VI. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NT\$300 million; provided that, this shall not apply to the following circumstances:
- (I) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
  - (II) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions set forth under the preceding Paragraph shall be calculated as follows:

- I. The amount of any individual transaction.
- II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- III. 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.
- IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same negotiable securities within the preceding year.

The term "within the preceding year" as used in the preceding paragraph denotes the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures are no longer required to be counted toward the transaction amount.

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 listed domestic public companies and enter the information in the prescribed format into the information reporting website designated by the competent authority not later than the 10th day of each month. The provisions governing subsidiaries as set forth under the preceding Paragraph with the standards/criteria to promulgate and declare such transactions up to 20% of the paid-in capital or 10% of the total assets shall refer to the paid-in capital or total assets of the Company itself.

Where the Company at the time of public announcement makes an error or

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omission in an item required by these Procedures to be publicly announced and is required to correct it, all the items shall be again publicly announced and reported in their entirety within two (2) days counting inclusively from the date of knowing of such error or omission.

Article XXVIII. Where any of the following circumstances occurs with respect to a transaction that a public After the Company has already publicly announced and reported the transaction in accordance with the preceding Article, where any of the following circumstances occurs with respect to a transaction, a public report of relevant information shall be made on the information reporting website designated by the competent authority within two (2) days counting inclusively from the date of occurrence of the event:

- I. Occurrence of a change, termination, or rescission of a contract signed in regard to the original transaction.
- II. The merger, demerger, acquisition, or transfer of shares is not completed as scheduled in the contract.
- III. A change to the originally publicly announced and reported information.

#### **Chapter Four Supplementary provisions**

Article XXIX. The personnel in charge of acquisition or disposal of assets who prove in contravention of these Procedures or the Regulations Governing the Acquisition and Disposal of Assets by Public Companies shall be subject to penalty in accordance with the Company's Work Rules.

Article XXX. The Company after acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and certified public accountant, attorney, and securities underwriter opinions at the Company for a minimum of five (5) years except where another act provides otherwise.

Article XXXI. These Procedures shall be put into implementation after being approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution and the shareholders' meeting. This same provision is applicable *mutatis mutandis* to an event of amendment.

If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved 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.

Where a director objects as backed with a record or a written declaration, the data of such objection by that director shall be submitted to audit committee.

The Company shall take the opinions from the independent directors into adequate consideration. An opinion in objection or a reserved opinion by an independent director, if any, shall be expressly remarked in the minutes of the board of directors meeting.

Article XXXII. These Procedures were officially resolved in the shareholders' meeting convened

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on October 28, 2014 and were duly amended on June 22, 2017 as the 1<sup>st</sup> amendment , on June 21, 2018 as the 2<sup>nd</sup> amendment, on June 18, 2019 as the 3<sup>rd</sup> amendment , on October 2, 2019 as the 4<sup>th</sup> amendment, and on May 26, 2022 as the 5<sup>th</sup> amendment.