Procedures for Acquisition or Disposal of Assets of Pegatron Corporation

Date of Revision: June 20, 2017

Article 1
The purpose of the procedures is for Pegatron Corporation (“the Company”) to protect its assets and to comply with relevant laws, rules and regulations. Any acquisition or disposal of assets conducted by the Company shall comply with the regulations set forth.

Article 2
The procedures are set forth in accordance with provisions of Article 36-1 of the Securities and Exchange Act (“the Act”), “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and other applicable laws, rules and regulations.

Article 3
The term "assets" as used in the procedures includes the following:
1. Long/short term security investment (including stocks, government bonds, corporate bonds, fund securities, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities, etc.);
2. Real estate (including land, houses and buildings, property for investment purpose, rights to use land, and inventory of construction companies) and equipment;
3. Memberships;
4. Patents, copyrights, trademarks, charter rights, and other intangible assets;
5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables);
6. Derivatives products;
7. Assets acquired or disposed of in connection with mergers, spin-off, acquisitions, or share transfer in accordance with acts of law;
8. Other major assets.

Article 4
Terms used in the procedures are defined as follows:
1. “Derivatives”: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the
above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

2. “Assets acquired or disposed through mergers, spin-off, acquisitions, or share transfer in accordance with Acts of law”: Refers to assets acquired or disposed through mergers, spin-off, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other Acts, or share transfer through issuance of new shares under Article 156, paragraph 6 of the Company Act.

3. "Related party" or "Subsidiary": As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4. "Professional appraiser": Refers to a real property appraiser or other person duly authorized by an act of law to engage in the value appraisal of real property or equipment.

5. "Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authority is required, the earlier of the above date or the date of receipt of approval by the Competent Authority shall apply.

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

7. “Latest financial statements”: Refers to the financial statements of the company audited or examined by certified public accountant (“CPA”) which has been published in accordance with applicable regulation before the subject acquisition or disposal of assets.

**Article 5**

Application and amendment of the Procedures are as follows:

The Procedures shall be approved by the Audit Committee, the Board of Directors and the Shareholders' Meeting. Any amendment is subject to the same procedures.

When The Procedures is submitted for discussion by the Board of Directors, opinions of each independent director shall be taken into full consideration. If an independent
director objects to or expresses reservations about any matter, it shall be recorded in
the minutes of the Board of Directors meeting.
If approval of more than half of all Audit Committee members is not obtained, The
Procedures may only be implemented if approved by more than two-thirds of all
directors, provided that the resolution of the Audit Committee is recorded in the
minutes of the Board of Directors meeting.
The terms "all Audit Committee members" and "all directors" in the preceding
paragraphs shall be calculated as the actual number of persons currently holding those
positions.

Article 6
Limits of amounts for the Company and each subsidiary in acquisition of
non-operating related real estate and securities investment:
1. The acquisition of real estate for non-operating purpose shall not exceed 10%
of its paid-in capital.
2. The total amount of long/short term securities investment shall not exceed
150% of its net worth.
3. The amount of investment in each respective security should not exceed 50%
of its net worth.

Article 7
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 not be a related party of any party to the transaction.

Article 8
Where Board of Directors’ approval is required for any acquisition or disposal of
assets pursuant to the Procedures, opinions of each independent director shall be taken
into full consideration and any objections and its reasons shall be recorded in the
minutes of the Board of Directors meeting.
When acquiring or disposing material assets and/or financial derivatives, approval
from the Audit Committee and a resolution of the Board of Directors shall be
obtained.

Article 9
Procedures for acquisition or disposal of real estate or equipment are as follows:
1. Evaluation and operating procedures
   Acquisition or disposal of real estate and equipment shall follow the
Company’s internal control procedures of fixed assets.

2. Terms and conditions of the transaction and level of authorization
   (1) The transaction price of acquisition or disposal of real estate shall reference the publicly announced value, appraised price, and actual transaction price in neighboring area to determine conditions and price. Final transaction price shall be approved in accordance with the level of authorization. Where each transaction price exceeds 10% of the Company’s net worth, approval from the Audit Committee and a resolution of the Board of Directors shall be obtained.
   (2) The transaction price of acquisition or disposal of equipment shall be determined either by price quotation, price comparison, price negotiation or tender. Final transaction price shall be approved in accordance with the level of authorization. Where each transaction price exceeds 10% of the Company’s net worth, approval from the Audit Committee and a resolution of the Board of Directors shall be obtained.

3. Execution
   Where the Company acquires or disposes real estate or equipment, appropriate approval shall be obtained in accordance with the level of authorization and responsible department shall execute accordingly.

4. Appraisal report of real estate and equipment
   In acquiring or disposing real estate or equipment where the transaction price reaches 20% of the Company's paid-in capital or NT$300 million or more, the Company shall obtain an appraisal report prior to the date of occurrence from a professional appraiser and shall further comply with the following provisions, except trading with a government agency, contracting third parties to build on the land owned or rented by the Company, or acquiring or disposing of machinery and equipment for operating purposes.
   (1) Where due to special circumstances and it is necessary to give a restricted price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval from the Audit Committee and the Board of Directors in advance, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
   (2) Where the transaction price equals to or exceeds NT$1 billion, 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, except the actual acquisition price is lower than the appraised price or the actual disposal
price is higher than the appraised price, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

a. The difference between the appraised price and the actual transaction price equals to or exceeds 20% of the transaction price.

b. The difference between the appraised prices of two or more professional appraisers equals to or exceeds 10% of the transaction price.

(4) Where a professional appraisal is conducted prior to the contract date, the appraisal report should have been issued within 3 months of the contract date. However, if the object’s publicly announced value is still the same and the appraisal report, and the report was issued no longer than 6 months, then the original professional appraiser may provide opinions.

(5) Where the Company acquires or disposes assets through court auction, the certificate issued by the court can be used to replace appraisal report or CPA opinions.

Article 10

Procedures for acquisition or disposal of securities investment are as follows:

1. Evaluation and operating procedures
   Acquisition or disposal of securities investment shall follow the Company’s internal control procedures of fixed assets.

2. Terms and conditions of the transaction and level of authorization
   (1) Where the securities are traded in the centralized exchanged markets, the trading price shall be approved in accordance with the level of authorization. If each transaction price exceeds 10% of the Company’s paid-in capital, approval from the Audit Committee and a resolution of the Board of Directors shall be obtained.

   (2) Where the securities are traded in the non-centralized markets, the subject matter’s most recent financial statements audited by CPA shall be obtained prior to the date of occurrence, and used as the reference of its transaction price in consideration of its net value per share, profitability and future potential. The transaction price shall be approved in
accordance with the level of authorization. If each transaction price exceeds 10% of the Company’s paid-in capital, approval from the Audit Committee and a resolution of the Board of Directors shall be obtained. Financial instruments such as bonds with call and put options, security funds and currency based instruments are not restricted by preceding paragraph and shall be executed in accordance with the level of authorization.

3. Execution
Where the Company acquires or disposes securities investment, appropriate approval shall be obtained in accordance with the level of authorization and responsible department shall execute accordingly.

4. Professional opinions
   (1) In acquiring or disposing securities where the transaction price reaches 20% of the Company’s paid-in capital or exceeds NT$300 million, opinions regarding the transaction price from CPA shall be obtained prior to the date of occurrence. Where CPA’s opinion is based on the professional opinions, it shall be prepared in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. Where the transaction price is available in the open market or otherwise regulated by the Financial Supervisory Commission (“SFC”) under the Executive Yuan, the limitation shall not apply.
   (2) Where the Company acquires or disposes assets through court auction, the certificate issued by the court can be used to replace appraisal report for CPA’s opinions.

Article 11
Procedures for related parties’ transactions are as follows:
1. When acquiring or disposing assets from a related party, in addition to the procedures set forth in the preceding paragraphs, if the transaction price reaches 10% or more of the Company’s total assets, an appraisal report from a professional appraiser or a CPA’s opinion shall be obtained to ensure necessary resolutions are adopted and the reasonableness of the transaction terms is appraised. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
2. Evaluation and operating procedures
   When acquiring or disposing real estate with a related party regardless of its
transaction price, or acquiring or disposing assets other than real estate with a related party for the transaction price over 20% of the Company’s paid-in capital, 10% of the Company’s total assets, NT$300 million or more, except in trading of government bonds or bonds with call or put options, or subscription or redemption of domestic money market funds issued by securities investment trust companies, the transaction may not be proceeded until the following matters have been approved by the Audit Committee and the Board of Directors. Contracts and payments shall only be signed and paid upon the approval from Board of Directors. When acquiring or disposing equipment for production purpose with a related party, Board of Directors can authorize the chairman to exercise the duty within the prescribed limit and report to the Board of Directors upon completion of the transactions.

(1) The purpose, the necessity and the anticipated benefit of acquisition or disposal of the real estate.

(2) The reason for choosing the related party as a trading counterparty.

(3) Information regarding the reasonableness of the preliminary transaction terms in accordance with subparagraph 1 and 4 of paragraph 3, Article 9.

(4) The date and the price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.

(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.

(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.

(7) Restrictive covenants and other important stipulations associated with the transaction.

3. Evaluation of the reasonableness of the transaction costs

(1) When acquiring real estate from a related party, the reasonableness of the transaction costs shall be evaluated by the following means:

a. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

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

(2) Where land and structures thereupon are combined as a single property purchased 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.

(3) While the cost of the real estate acquired from a related party shall be appraised in accordance with the provisions of the subparagraph (1) of paragraph 3, Article 1, CPA shall also be engaged to review the appraisal and render a specific opinion.

(4) Where the real estate is acquired from a related party, it shall be appraised in accordance with the provisions of the subparagraph (1) of paragraph 3, Article 9, and if the appraised cost is lower than the actual transaction cost, the paragraph (5) of Item 3, Article 9 shall apply. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a CPA, this restriction shall not apply:

a. Where the related party acquires undeveloped land or leased land for development and in compliance with one of the following conditions:
   - Where undeveloped land is appraised in accordance with the means in the preceding Article, and the actual transaction price is lower than the related party’s construction cost plus reasonable construction profit. 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 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.
   - Where the recent transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, and the land area
and the transaction terms are similar in consideration of the reasonable price discrepancies in floor or land prices in per property market practices.

- Where the recent leasing transactions by unrelated parties for other floors of the same property within the preceding year, and the transaction terms are similar in consideration of the reasonable price discrepancies among floors per property leasing market practices.

b. Where the Company acquiring real estate from a related party and the terms of the transaction are similar to the terms of the recent transactions for acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. Where the recent transactions for neighboring or closely valued parcels of land mentioned in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real estate.

(5) Where the Company acquires real estate from a related party and the results of appraisals conducted in accordance with the provisions of the subparagraph (1) and (2) of paragraph 3, Article 9, are uniformly lower than the transaction price while no evidence can be provided that subparagraph (4) of paragraph 3 is not applicable to the transaction, the following steps shall be taken:

a. A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Act against the difference between the real estate 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 public company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
b. The Audit Committee shall comply with the provisions of Article 218 of the Company Act.

c. Actions taken pursuant to subparagraph 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

(6) Where the Company acquires real estate from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions paragraph 1 and 2 of Article 9, while subparagraph 1, 2 and 3 of paragraph 3 shall not apply:

a. The related party acquired the real estate through inheritance or as a gift.

b. More than five years had elapsed from the time the related party signed the contract to obtain the real estate to the signing date for the current transaction.

c. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build property, either on the company’s own land or on rented land.

(7) Where the Company obtains real estate from a related party, it shall also comply with the provisions set forth in the subparagraph (5) of paragraph 3, Article 9, if there is other evidence indicating that the acquisition was not an arms length transaction.

Article 12

Procedures for acquisition or disposal of membership or intangible assets are as follows:

1. Evaluation and operating procedures

   Acquisition or disposal of membership or intangible assets shall follow the Company’s internal control procedures of asset management.

2. Terms and conditions of the transaction and level of authorization

   (1) The transaction price of acquisition or disposal of membership shall refer to the market value, terms and conditions and transaction price and a report shall be prepared for submission to the chairman and the president. Where the transaction price exceeds 1% of the Company’s paid-in capital or NT$1 million, approval from the chairman shall be obtained and if the transaction price exceeds NT$3 million, approval from the Audit Committee and a resolution of the Board of Directors shall be obtained.
(2) The transaction price of acquisition or disposal of intangible assets shall refer to professional opinion or the market value, terms and conditions and transaction price and a report shall be prepared for submission to the chairman. Where the transaction price exceeds 10% of the Company’s paid-in capital or under NT$100 million, approval from the chairman shall be obtained and if the transaction price exceeds NT$1 million, approval from the Audit Committee and a resolution of the Board of Directors shall be obtained.

3. Execution
Where the Company acquires or disposes membership or intangible assets, appropriate approval shall be obtained in accordance with the level of authorization and responsible departments shall execute accordingly.

4. CPA’s opinion is required under the following circumstances:
   (1) The transaction price of acquiring or disposal of membership reaches 1% of the Company’s paid-in capital or above NT$3 million.
   (2) The transaction price of acquiring or disposal of intangible assets reaches 10% of the Company’s paid-in capital or above NT$100 million.
   (3) Where the transaction price of acquiring or disposing membership or intangible assets reaches 20% of the Company’s paid-in capital or exceeds NT$300 million, except trading with the Government organizations, CPA’s opinion, in compliance with the Provisions of Statement of Auditing Standards No. 20 published by the ARDF, shall be obtained prior to the date of occurrence.

Article 12-1
The calculation of the transaction price referred to in the preceding four articles shall be done in accordance with the subparagraph (7) of paragraph 1, Article 16, 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.

Article 13
Procedures for acquisition or disposal of Claims of financial institutions.
In principle, the Company does not conduct any trading regarding acquisition or disposal of claims of financial institutions. Where the trading is intended in the future, relevant operating procedures shall be approved by the Audit Committee and resolved
by the Board of Directors.

Article 14

Procedures for acquisition or disposal of financial derivatives are as follows:

1. Trading principles and strategies

(1) Types of instrument

a. Financial derivatives referred herein are broadly defined as instruments that derive their value from the performance of underlying assets, interest or currency exchange rates or other instrument such as swaps, options, futures, forwards and various combinations thereof.

b. Claims of financial institutions shall be conducted in accordance with The Procedures set forth.

c. The Company shall only enter transactions for hedging purposes and any other specific purposes by obtaining prior approval from the Audit Committee and the Board of Directors.

(2) Strategies

Financial derivatives are mainly used for hedging purpose and the selection of instruments shall correlate or associate with the business operation. In order to reduce the overall currency exposures and hedging cost, the currency of the position held shall be the same as the one used for business activities, and the position of the currency (account receivable and payable in foreign currency) shall be balanced. The transaction of specific purpose shall be evaluated carefully and prior approval from the Audit Committee and a resolution of the Board of Directors shall be obtained.

(3) Authorization and delegation

a. Finance and accounting departments

- Trading
  - To establish financial derivative strategies for the Company
  - To evaluate holding of the positions periodically, establish trading strategies based on the judgment of the market intelligence and submit for approval
  - To execute the trading in accordance with the level of authorization
  - Shall material incident occur in the financial market and existing strategies is no longer applicable, new trading strategies shall be proposed and used as the basis for trading
upon approval from the chairman and the president

- **Confirmation**
  To confirm the trading in accordance with the level of authorization

- **Settlement**
  To execute the settlement

- **Account management**
  - To proceed monthly evaluation and submit the report to the chairman and the president for review and approval
  - To proceed bookkeeping

- **Level of approval**
  - Level of approval required for each transaction of hedging purpose

<table>
<thead>
<tr>
<th>Level of approval</th>
<th>Delegation of each transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Section Manager</td>
<td>Up to US$5 million (Included)</td>
</tr>
<tr>
<td>Finance Director</td>
<td>From US$5 million up to US$10 million (Included)</td>
</tr>
<tr>
<td>Chief Finance Officer</td>
<td>From US$10 million up to US$20 million (Included)</td>
</tr>
<tr>
<td>President</td>
<td>From US$20 million up to US$50 million (Included)</td>
</tr>
<tr>
<td>Chairman</td>
<td>Above US$50 million</td>
</tr>
</tbody>
</table>

- Level of approval required for each accumulated net position

<table>
<thead>
<tr>
<th>Level of approval</th>
<th>Delegation of each accumulated net position</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>From US$100 million up to US$200 million (Included)</td>
</tr>
<tr>
<td>Chairman</td>
<td>Above US$200 million</td>
</tr>
</tbody>
</table>

- Transaction of other purposes shall only be preceded upon approval from the Audit Committee and the Board of Directors.

b. **Internal Audit**

  Internal audit shall be aware of the adequacy of the derivative transaction on a periodic basis and should issue monthly audit report based on the compliance of the derivative transaction. Shall there be any material violation; a written notice shall be sent to the Audit Committee.
c. Performance Evaluation

- Trading with hedging purpose
  - The evaluation basis is the profit/loss between cost of the currency on the book and derivative transaction.
  - To fully comprehend the risks of evaluation, the Company shall conduct evaluation based on the monthly closing.
  - The Finance department shall provide evaluation of the foreign currency based position, the market trend and analysis of foreign currency to the president and chairman for their review.

- Trading with specific purpose
  - The evaluation shall be conducted based on the actual profit/loss and the Finance personnel shall prepare financial statements based on the position held for management’s review on a periodic basis.

d. Total transaction amount, and the maximum limit of loss

- The Contract Amount
  - Transaction amount for hedging purpose
    The Finance Department shall be in control of the currency based position to avoid any transaction risks. The transaction amount for hedging purpose shall not exceed the internal currency based position within the Company (the difference between foreign currency based current asset and foreign currency based liabilities). Chairman’s approval is required if the transaction amount exceeded the aforementioned limit.
  - Transaction for specific purpose
    Based on the observation of the market, the Finance Department shall prepare responsive strategies for review and approval from the Audit Committee and the Board of Directors. The net accumulative contract amount of the transaction for specific purpose shall not exceed 5% of the Company’s sales of the last quarter.

- Maximum Limit of Loss
  - The purpose of hedging is to avoid risks and the total aggregated loss amount of transactions based on hedging purpose shall not exceed US$500,000.
  - The loss of transaction based on specific purpose shall not exceed US$200,000. If the loss amount exceeds the limit, the
president and chairman shall be notified and responsive actions shall be discussed in the Board of Directors meeting
- Loss amount per individual contract shall not exceed US$50,000.
- Total annual aggregated loss amount of transaction based on specific purpose shall not exceed US$500,000.

2. Measures of Risk management
   (1) Credit Risk Control
       Counterparty: Well known domestic and overseas financial institutions and the list of these financial institutions shall be approved by the chairman.
       Trading Instruments: Financial instruments offered by the above mentioned financial institutions.

   (2) Market Risk Control
       Primarily the open currency market provided by the banks, excluding the option market.

   (3) Liquidity Risk Control
       To ensure liquidity, financial instruments with high liquidity shall be chosen, and financial institutions responsible for trading shall provide sufficient information and have the capability to trade in any markets over any time zone.

   (4) Cash-Flow Risk Control
       To maintain stable turnover of the working capital of the Company, the source of the capital for derivative transaction shall be self funded, and the transaction shall take future capital needs into consideration.

   (5) Operating Risk Control
       a. To comply with the authorized amount, procedures and internal audit processes.
       b. Different personnel shall be assigned for trading, confirmation and settlement.
       c. Personnel who is in charge of risk evaluation, monitoring and controlling shall not be in same department as those described in the preceding paragraph, and reporting shall be made to the Board of Directors or the management who is not responsible for trading or determination of position.

   (6) Financial Instrument Risk Control
       Personnel, who is in charge of the trading, shall have sufficient knowledge and professional skills of the financial instrument and shall
request the banks to fully disclose associated risks.

(7) Legal Risk Control

Any documents with financial institutions can only be signed after reviewing by the legal department or legal counsels.

3. Periodic evaluation system

(1) The Board of Directors shall authorize the management to monitor and review the compliance of the derivative transaction with internal procedures periodically. If any abnormality detected in the market value evaluation report, the Board of Directors shall be informed immediately and responsive actions shall also be taken accordingly.

(2) The position held under the derivative trading shall be evaluated once a week, while transaction associated with hedging purpose shall be evaluated twice per month, and the evaluation reports shall be submitted to the management authorized by the Board of Directors.

4. Auditing principle by the Board of Directors

(1) Board of Directors shall assign the management to constantly monitor and control the risks of derivative transaction with the following principles:

   a. To conduct periodic review and check if the risk management measures are adequate and in compliance with the internal procedures.

   b. To monitor the trading and its performance. Shall there be any material event, Board of Directors shall be informed and necessary actions shall be taken.

(2) To check if the performance meets the business strategy and to determine if the risks are within the corporate tolerance level periodically.

(3) Derivative transaction shall be conducted in accordance with the relevant procedures and reported to Board of Directors afterwards.

(4) To establish a reference book for derivative transaction with detailed information, including its type, amount, approval date from Board of Director and evaluation items listed in the paragraph 3 and 4 of Article 12.

**Article 15**

Procedures for mergers, spin-off, acquisition and share transfer are as follows:

1. Evaluation and operating procedures

   (1) CPA, attorney, and securities underwriter shall be engaged to schedule
project timetable and a task force shall be formed to execute the project according to statutory rules and regulations. Prior to convening the Board of Directors to resolve on the matter, a CPA, attorney, or securities underwriter shall give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.

Where the merger takes place between the Company and its fully owned (directly or indirectly) subsidiary, or between two subsidiaries that are fully owned (directly or indirectly) by the Company, the aforementioned opinion on reasonableness is not required.

(2) The Company shall issue a public report to shareholders detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the shareholders meeting. The report shall include the expert’s opinion referred to in the preceding paragraph when sending shareholders meeting notification provided, where a provision of another Act exempts the Company from convening a shareholders meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.

Where the shareholders meeting of any one of the companies participating in a merger, spin-off, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, spin-off or acquisition shall immediately make public announcement regarding their reasons, the follow-up measures, and the preliminary date of the next shareholders meeting.

(3) A full written record of the following information shall be prepared and retained for five years for reference:

a. Personnel information
   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, spin-off acquisition, or transfer of another company's shares prior to disclosure of the information.

b. 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.

c. Important documents and minutes
   Including merger, spin-off, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

2. Others
   (1) Board of Director meeting date:
       Companies participating in a merger, spin-off, 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, spin-off, or acquisition, unless another Act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent. Companies participating in a share transfer shall call a Board of Directors meeting on the day of the transaction, unless another Act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

   (2) Non-disclosure commitment:
       Every person participating in or privy to the plan for merger, spin-off, acquisition, or share transfer 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, spin-off, acquisition, or transfer of shares.

   (3) Pricing principles for transfer or acquisition of shares:
       Companies participating in a share transfer shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the shareholders’ meeting. Acquisition or share transfer may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:
       a. 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.

b. An action, such as a disposal of major assets that affects the Company's financial operations.

c. An event, such as a major disaster or major change in technology that affects equity or share price.

d. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, buys back treasury stock.

e. An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.

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

(4) Content of contract

The contract of the companies participating in the merger, spin-off, acquisition, or share transfer shall be under Article 371-1 of Company Act and Article 22 of Business Mergers and Acquisitions Act and shall also record the followings:

a. Handling of breach of contract.

b. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or its spin-off.

c. 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.

d. The manner of handling changes in the number of participating entities or companies.

e. Preliminary progress schedule for plan execution, and anticipated completion date.

f. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

(5) Changes of companies participating in mergers, spin-off, acquisition and share transfer:

After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or share transfer intends further to carry out a merger, spin-off, 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, spin-off, 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.

(6) Where any of the companies participating in a merger, spin-off, acquisition, or share transfer is not a public company, the Company shall sign an agreement with the counterparty whereby the latter is required to abide by the provisions of preceding paragraphs.

(7) Upon the resolution by the Board of Directors, material information shall be disclosed via internet-based information system to the FSC for recordation within two days of the Board of Director resolution.

Article 16
Procedures for public disclosure of information are as follows:

1. Disclosure items and standards
   (1) Acquisition or disposal of real estate with a related party regardless of its transaction price, or of assets other than real estate with a related party for the transaction price over 20% of the Company’s paid-in capital, 10% of the Company’s total assets, NT$300 million. Trading of government bonds, bonds with call or put options and subscription or redemption of domestic money market funds issued by securities investment trust companies are excluded herein.
   (2) Merger, spin-off, acquisition, or share transfer.
   (3) Losses from derivative transaction reaching the maximum limits of aggregated losses or losses on individual contracts set forth in The Procedures adopted by the Company.
   (4) Acquisition or disposal of equipment/machinery used for operation, the trading counterparty is not a related party, and the transaction amount is above and inclusive of NT$1 billion.
   (5) Land acquired under an arrangement for commissioned construction on self-owned or rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is above and inclusive of NT$500 million.
(6) Any transaction, other than those referred in the preceding five subparagraphs including disposal of receivables by a financial institution or investment in mainland China that reaches 20% of the Company’s paid-in capital or exceeds NT$300 million. However, the following circumstances shall not apply:

a. Trading of government bonds.
b. Securities trading by investment professionals on foreign or domestic securities exchanges, over-the-counter markets, and trading of securities and bonds in the domestic primary market, or subscription of securities by a securities firm for underwriting purpose in accordance with the relevant regulations set forth by Taipei Exchange.
c. Trading of bonds with call or put options, or subscription or redemption of domestic money market funds issued by securities investment trust companies.

(7) The amount of transactions mentioned above shall be calculated as follows and “within the preceding year” as used in the following subparagraphs refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these regulations need not be counted toward the transaction amount:

a. The amount of any individual transaction.
b. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
c. The cumulative transaction amount of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
d. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

2. Timeline and standards for public disclosure of information
Should acquisition or disposal of assets meet the standards for public disclosure of information, the Company needs to file and make public announcement within two days from the date of the event.

3. Disclosure procedures
(1) The Company shall disclose information into the reporting website designated by the FSC in accordance with the statutory regulations.
(2) The Company and on behalf of its non-public subsidiaries shall compile monthly reports on the status of derivatives trading up to the end of the preceding month and enter the information in the prescribed format into the reporting website designated by the FSC by the tenth day of each month.

(3) Where an error or omission occurs at the time of public announcement, it is required to correct the error, and all the items shall be publicly announced again within two days upon acknowledgement.

(4) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, reference books, appraisal reports and CPA, attorney, and securities underwriter’s opinions at the Company headquarters, where they shall be retained for five years except where another Act provides otherwise.

(5) 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 following paragraph, a public report of relevant information shall be made on the reporting website designated by the FSC within two days from the date of occurrence:
   a. Change, termination, or rescission of a contract signed in regard to the original transaction.
   b. The merger, spin-off, acquisition, or share transfer is not completed by the scheduled date set forth in the contract.
   c. Change of the publicly disclosed information.

**Article 16-1**

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

**Article 17**

The subsidiaries of the Company shall comply with the followings:

1. The subsidiaries shall establish The Procedures in accordance with the “Regulation Governing the Acquisition and Disposal of Assets by Public Companies” and obtain approval from the subsidiaries’ Board of Directors and its shareholders’ meetings. Where there are amendments to The Procedures, the same approvals shall also be applied.
2. The subsidiaries shall comply with the provisions set forth in The Procedures, in addition to their own procedures, when acquiring or disposing assets.

3. The Company shall disclose information on behalf of subsidiaries that are not publicly listed in the domestic market.

4. The paid-in capital or total asset of the Company shall be the standard for determining whether or not the Company shall disclose information on behalf of a subsidiary in the event of the type of transaction specified therein reaches 20% of the paid-in capital or 10% of the total asset.

**Article 18**

Penalties are as follows:
Where the employees of the Company violate the provisions set forth, appropriate penalties shall be carried out in accordance with the relevant human resource management procedures and employees handbook of the Company.

**Article 19**

Any unspecified terms in The Procedures shall be subject to the relevant statutory rules and regulations.