

(Translation-In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail.)

Procedures for Acquisition or Disposal of Assets of Pegatron Corporation

Date of Revision: June 15, 2022

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

Article 4

Terms used in the procedures are defined as follows:

1. “Derivatives”: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of

prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

2. "Assets acquired or disposed 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 from another company through issuance of new shares of its own as the consideration therefore hereinafter "transfer of shares" under Article 156-3 of the Company Act.
3. "Related party" or "Subsidiary": As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. "Professional appraiser": Refers to a real estate 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. "Investment Professionals": Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
8. "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.

9. "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 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 meet the following:

1. 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, or since a pardon was received.

2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraised 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:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. 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 collection, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the appropriateness 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.
4. 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 reasonable, and that they have complied with applicable laws and regulations.

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 raised by independent directors 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 more than half of all the Audit Committee members shall be obtained and submitted to the Board of Directors for a resolution, subject to mutatis mutandis application of paragraph 3 and 4 of Article 5.

Article 9

Procedures for acquisition or disposal of real estate, equipment, or right-of-use assets are as follows:

1. Evaluation and operating procedures
Acquisition or disposal of real estate, equipment or right-of-use assets shall follow the Company's internal control procedures governing fixed assets, equipment and rental.
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) In acquiring right-of-use assets, demand for such needs shall be evaluated and 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, equipment or right-of-use assets, appropriate approval shall be obtained in accordance with the level of authorization and responsible department shall execute accordingly.
4. Appraisal report of real estate, equipment or right-of-use assets
In acquiring or disposing real estate, equipment or right-of-use assets 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 domestic

government agency, contracting third parties to build on the land owned or rented by the Company, acquiring or disposing of machinery, equipment, or right-of-use assets 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 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 governing 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) Prior to the date acquiring or disposing securities, the most recent financial statements of the issuing company certified or reviewed by a CPA shall be obtained. 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 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 or right-of-use assets with a related party regardless of its transaction price, or acquiring or disposing assets or right-of-use 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 domestic 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.

- (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) With respect to the acquisition of real estate or right-of-use assets thereof from a related party, information regarding the appraisal of reasonableness of the preliminary transaction terms in accordance with subparagraph 1 and 5 of paragraph 3, Article 11.
- (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.

With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's board of directors may delegate the board chairman

to decide such matters when the transaction is within NT\$1 billion and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

- (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- (2) Acquisition or disposal of real estate right-of-use assets held for business use.

If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 2, Article 11, and the transaction amount will reach 10 percent or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 2, Article 11, to the shareholders meeting of the Company for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its subsidiaries or between its subsidiaries.

The calculation of the transaction amounts referred to in paragraph 2, Article 11, and the preceding paragraph shall be made in accordance with subparagraph (7) of paragraph 1, Article 17, 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 Audit Committee, Board of Directors and shareholders meeting need not be counted toward the transaction amount.

3. Evaluation of the reasonableness of the transaction costs
 - (1) When acquiring real estate or right-of-use assets 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 or rented 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 or right-of-use assets acquired from a related party shall be appraised in accordance with the preceding two subparagraphs, CPA shall also be engaged to review the appraisal and render a specific opinion.
- (4) Where the Company acquires real estate or right-of-use assets, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:
 - a. The related party acquired the real estate or right-of-use assets thereof through inheritance or as a gift.
 - b. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets thereof to the signing date for the current transaction.
 - c. The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or rented land.
 - d. The real estate right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.
- (5) Where the real estate or right-of-use assets is acquired from a related party, it shall be appraised in accordance with the provisions of the subparagraph (1) and (2) of paragraph 3, Article 11, and if the appraised cost is lower than the actual transaction cost, the subparagraph (6) of the same paragraph 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.
- b. Where the Company acquiring real estate or right-of-use assets 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 or right-of-use assets.

- (6) Where the Company acquires real estate or right-of-use assets from a related party and the results of appraisals conducted in accordance with the provisions of the subparagraph (1) to (5) of paragraph 3, Article 11, are uniformly lower than the transaction price, 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 or right-of-use assets transaction price and the appraised cost, and may not be distributed or used for

capital increase or issuance of bonus shares. Where the Company 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 preceding subparagraphs shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

If the Company had set aside the a special reserve under the preceding paragraph, then special reserve may not be utilized until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

- (7) Where the Company obtains real estate or right-of-use assets from a related party, it shall also comply with the provisions set forth in the subparagraph (6) of paragraph 3, Article 11, if there is other evidence indicating that the acquisition was not an arm's length transaction.

Article 12

Procedures for acquisition or disposal of intangible assets or right-of-use assets thereof or memberships are as follows:

- 1. Evaluation and operating procedures
Acquisition or disposal of intangible assets or right-of-use assets thereof or memberships shall follow the Company's internal control procedures governing asset management or rental.
- 2. Terms and conditions of the transaction and level of authorization
 - (1) The transaction price of acquisition or disposal of memberships 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 or right-of-use assets thereof 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 intangible assets or right-of-use assets thereof or memberships, 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 memberships 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 or right-of-use assets thereof reaches 10% of the Company's paid-in capital or above NT\$100 million.
- (3) Where the transaction price of acquiring or disposing or right-of-use assets thereof or memberships reaches 20% of the Company's paid-in capital or exceeds NT\$300 million, except trading with the domestic Government organizations, CPA's opinion on the reasonableness of the transaction price shall be obtained prior to the date of occurrence.

Article 13

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 17, 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 14

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 15

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

1. Trading principles and strategies
 - (1) Types of instrument
 - a. Derivatives refers to forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
 - 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
 - a. 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.
 - b. Hedging period shall be no longer than one year from the date of transaction.
 - c. 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. Duration of transaction

shall be no longer than one year and neither could it be extended.

(3) Authorization and delegation

a. Finance and accounting departments

■ Trading

- To establish financial derivative strategies for the Company.
- To evaluate holding of the positions every week, establish trading strategies based on the judgment of the market intelligence including ratio of hedging, setting expiry date on the portion being hedged, etc., referencing real time online quotation system 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.
- Shall any transaction need to be terminated before its expiry date, trading personnel shall obtain prior approval in accordance with the level of authorization set forth.
- Selection and replacement of trading personnel shall be approved by the chairman.

■ Confirmation

To obtain relevant certificates from the counterparty either by email, fax or other viable means no later than the date of transaction.

■ Settlement

To verify transaction details with the counterparty and arrange for payment. Settlement shall be completed in accordance with relevant procedures on the date of settlement.

■ Account management

- a. To prepare accounting tickets according to relevant accounting principles.
- b. To proceed monthly evaluation and submit the report to the chairman and the president for review.

■ Transaction procedures

- a. Upon receiving relevant ratification and completing the transaction, trading personnel shall send transaction

application and relevant certificates provided by the counterparty to confirmation personnel to confirm the transaction terms before handing over transaction documents to account management personnel.

- b. Account management personnel shall prepare accounting entry and documents for company stamps based on the transaction documents received.
- c. Account management personnel shall verify account statement with trading personnel periodically.
- d. Trading personnel shall regularly check if total transaction amount is within the authorized amount.

■ Level of approval

- Level of approval required for each transaction of hedging purpose

Level of approval	Delegation of each transaction
Finance Section Manager	Up to US\$5 million (Included)
Finance Director	From US\$5million up to US\$10 million (Included)
Chief Finance Officer	From US\$10 million up to US\$20 million (Included)
President	From US\$20 million up to US\$50 million (Included)
Chairman	Above US\$50 million

- Level of approval required for each accumulated net position

Level of approval	Delegation of each accumulated net position
President	From US\$100 million up to US\$200 million (Included)
Chairman	Above US\$200 million

- 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. Legal Department

Any legal documents in respect of transaction shall first be reviewed by in-house legal counsel before execution.

d. Performance Evaluation

■ Trading for hedging purpose

Performance evaluation is based on the profit and loss of hedging target and hedging position.

- 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 for 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.

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

■ The Contract Amount

- Transaction amount for hedging purpose

When estimating transaction amount, asset and liability that currently hold and expect to hold shall be taken into consideration. The Finance Department shall be in control of the currency based position to avoid any transaction risks. Net accumulative contract amount shall not exceed the internal currency based position arising from operation.

- Transaction for specific purpose

Based on the observation of the market, the Finance Department shall prepare responsive strategies and transaction proposals indicating the nature and limit of the transaction for review and approval from the Audit Committee and the Board of Directors.

■ Maximum Limit of Loss

- Loss per individual contract or the total aggregated loss amount of transactions based on hedging purpose shall not exceed 20% of contract amount and no higher than US\$500,000 in aggregate per year.
- Loss per individual contract or total aggregate loss amount of

transaction based on specific purpose shall not exceed US\$200,000.

- If loss for individual contract or total contracts exceeded the limits set forth, the president and the chairman shall be informed and appropriate measures shall be taken immediately

2. Measures of risk management

(1) Credit Risk Control

The following principles shall apply to avoid various market impact to execution of derivative transaction.

- 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

Market risk arising from fluctuation of interest rates, foreign exchange rates or from other factors shall be closely monitored and controlled in accordance with item 5, subparagraph 3, paragraph 1, Article 15.

(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, the Company shall take the expected cash flow during transaction period into considerations and ensure adequate level of working capital to meet the cash settlement requirement.

(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 are 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 are 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 finance and legal departments or legal counsels.

3. Periodic evaluation system

The position held under transaction for hedging purpose shall be evaluated minimum twice per month, while that of other purpose shall be evaluated once per week. 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 such as credit risk, market risk, liquidity risk, cash flow risk, etc., 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 15.

Article 16

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

In addition to rights and liabilities stipulated in the contract, the companies participating in the merger, spin-off, acquisition, or share transfer 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 17

Procedures for public disclosure of information are as follows:

1. Disclosure items and standards

- (1) Acquisition or disposal of real estate or right-of-use assets with a related party regardless of its transaction price, or of assets other than real estate or right-of-use assets 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 domestic 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 or right-of-use assets 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 with non-related party, 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 domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
 - b. 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:

- 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 or right-of-use assets 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.

“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.

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 18

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 19

The subsidiaries of the Company shall comply with the followings:

1. The Company's subsidiaries shall conduct the acquisition or disposal of assets in accordance with these Procedures; provided, however, that this requirement is not applicable where the Company's subsidiary has adopted its own procedures governing the acquisition and disposal of assets in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
2. The subsidiaries shall obtain approval from the subsidiaries' Board of Directors and its shareholders' meetings when establish The Procedures. Where there are amendments to The Procedures, the same approvals shall

also be applied.

3. The subsidiaries shall comply with internal procedures related to this matter, in addition to their own procedures, when acquiring or disposing assets.
4. The Company shall disclose information on behalf of subsidiaries that are not publicly listed in the domestic market.
5. For information disclosure purpose, “the paid-in capital” or “total asset” refers to these of the Company.

Article 20

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 21

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