PROCEDURES FOR ASSETS ACQUISITION OR DISPOSAL
FOR
QUANTA COMPUTER INC.
The seventeenth amendment was made on June 21st, 2019

CHAPTER I. GENERAL PRINCIPLE

Article 1
To protect the best interest of shareholders, comply with relevant laws and enhance information transparency, these Procedures are amended in accordance with Article 36-1 of the Securities and Exchange Law and related regulations governed by the Financial Supervisory Commission.

Article 2
Except when prescribed by other laws or regulations, the Company’s acquisition or disposition of assets shall be conducted in accordance with these Procedures.

Article 3
The Scope of Applicability of the Term “Assets” As Used in These Procedures Shall Be as Follows:

(1) Long-term and short-term investments including stocks, government bonds, corporate bonds, financial bonds, negotiable securities in funds, depositary receipts, call (put) warrants, beneficiary securities, asset-backed securities and etc.
(2) Fixed assets, including land, real estate and building, investment in real estate and ownership of land, and equipment.
(3) Membership certificates.
(4) Intangible assets, such as patents, copyrights, trademarks, concession rights, and etc.
(5) Right-of-use assets
(6) Liabilities from financial institutes, including account receivables, loan remittance and discounts, and past due receivables.
(7) Derivative products.
(8) Assets acquired or disposed through mergers, spin-offs, acquisitions or shares transfer in accordance with relevant laws.
(9) Other important assets.
Article 4

Terms Used in These Procedures Are Defined as Follows:

(1) Derivative Products:
Forward contracts, options contracts, futures contracts, leverage guarantee contracts, swaps, hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) contracts.

(2) Assets That Are Acquired or Disposed Through Mergers, Spin-Offs, Acquisitions or Shares Transfer:
Assets acquired or disposed through mergers, spin-offs or acquisitions in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, or other laws, or the acquisition of shares of another company through issuance of new shares of its own as the consideration therefore (herein referred to as “Shares Transfer”) under Article 156-3 of the Company Law.

(3) Related Parties & Subsidiaries:
As defined in accordance with regulations governing the preparation of financial reports by securities issuers.

(4) Professional Appraiser:
A real estate appraiser or other persons authorized by law to engage in the value appraisal of real estate and equipment.

(5) Date of Occurrence:
The date of transaction contract signing, date of payment, date of consignment trading, date of transfer, date of resolution of Board of Directors, or other date sufficient to confirm the counterparty and amount of the transaction, whichever date is earlier. However, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the competent authority shall apply.

(6) Mainland Area Investments:
Investments in mainland area approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the mainland area.
(7) Most Recent Financial Statements:
Financial statements audited or reviewed by an accountant in accordance with laws prior to the date of the event when the Company acquires or disposes assets.

(8) Investment professional:
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.

(9) 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.

(10) Over-the-counter venue ("OTC venue", "OTC"):
"Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 5
When the Company obtains an appraisal report or a written opinion from a CPA, attorney, or securities underwriter, the professional appraiser and its appraisal personnel, or the CPA, attorney, or securities underwriter shall meet the following requirements:

(1) No records of imprisonment for more than one year for violating the Act, the Company Law, the Banking Act of the Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or imprisonment for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

(2) May not be a related party or a de facto related party of any counterpart to the
transaction.

(3) In the event that appraisal (valuation) reports from two or more professional appraisers are required, neither professional appraisers nor the appraisal officers shall be related parties or de facto related parties to one another.

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

(1) Prudently assess their own professional competencies, practical experience, and independence prior to undertaking assignments.

(2) When examining a case, they shall appropriately plan and implement adequate working processes, in order to draw a conclusion as the basis of producing a report or expressing an opinion; and maintain a full record of the operating procedures, data collected, and conclusions in the worksheet.

(3) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.

(4) They shall issue a statement attesting to the professional competency and independence of the personnel who prepared the report or opinion, and assuring that the information contained in the report or opinion has been evaluated and found to be reasonable and accurate, and related laws and regulations are complied with.

CHAPTER II. PROCEDURE

SECTION I.

PROCEDURES FOR ASSETS ACQUISITION OR DISPOSAL

Article 6

Credit Limit for Investments in Real Estate and Securities Not for Operational Use:

(1) The total amount of investments in real estate not for operational use shall not exceed fifty percent (50%) of the Company’s net worth.

(2) The total amount of investments in securities shall not exceed the Company’s net worth.

(3) The limit of investments in individual securities shall not exceed fifty percent (50%) of the Company’s net worth.

The aforesaid “net worth” shall mean stockholders’ equity disclosed in the Company’s latest financial statements certified or audited by a certified public accountant.
Article 7

Procedures for Assets Acquisition or Disposal:

(1) Procedures for Evaluation and Operation:

A) When acquiring or disposing long-term/short-term securities investments or engaging in derivatives transactions, the undertaking department shall analyze related benefits and assess potential risks. Before acquiring or disposing real estate or other assets, the property or asset owner shall prepare a capital expenditure plan in advance to assess the feasibility of the purpose of acquisition or disposal and expected benefits.

B) Prior to the date of the event when the acquisition or disposal of securities takes place, the latest financial statements of the object company audited or reviewed by certified public accountant should be acquired for the assessment and reference of transaction price. Should the transaction price reaches twenty percent (20%) of the Company's paid-in capital or exceeds NT$300 million, opinions in respect to a rational transaction price have to be sought from certified public accountant prior to the date of the event; provided however, should the certified public accountant chose to leverage an appraisal report issued by professional appraiser, the Company should request the accountant to handle the matter in accordance with the provision of Auditing Standard No. 20 governed by Accounting Research and Development Foundation, R.O.C. These requirements are not applicable if such securities have a public price from an active market or if the regulatory authorities require otherwise.

C) Should the transaction price of acquiring or disposing of real estate, equipment, or its right-of-use assets reaches twenty percent (20%) of the Company’s paid-in capital or exceeds NT$300 million, the Company shall proceed with the transaction in accordance with subparagraph 4 of the Evaluation Procedure for Acquisition and Disposal of Assets stated in these Procedures. Related party transactions shall comply with the procedures stated in Chapter II Section II.

D) The Company shall proceed with mergers, spin-offs, acquisitions, or shares transfer in accordance with Chapter II, Section IV, of these Procedures.
E) In addition to referencing professional appraiser reports, accountants and other professional opinions, price determining method and reference basis that the Company leverages when acquiring or disposing of assets should also follow procedures stated below:

i. For acquisition or disposal of securities traded in the centralized securities exchange market or an OTC market, the price shall be determined according to the current trading price.

ii. The net worth per share, technology capability and profitability, future development potential, market interest rate, bond face value, and obligor credit rating and the latest transaction price shall be considered before acquiring or disposing securities not traded in the centralized securities exchange market or an OTC market.

iii. The latest transaction price and potential benefits shall be considered before acquiring or disposing membership certificates. The international or market practices, lifespan, and impact on the Company’s technology capability and sales shall be considered when acquiring or disposing intangible assets, such as patents, copyrights, trademarks, and charter rights.

iv. The transaction price of acquiring or disposing of real estate, equipment, or its right-of-use assets shall reference the publicly announced value, appraised price, actual transaction price in neighboring area, face value or appraised price from suppliers to determine conditions and price. If acquiring real estate from the related party, calculation of its pricing shall first comply with these Procedures stated in Chapter II Section II to determine the fairness of transaction price.

v. The status of transaction and the trend of exchange rate and interest rate of the futures market shall be considered when engaging in derivatives transactions.

vi. The nature of business, net worth per share, asset value, technology capability and profitability, capacity, and future growth potential shall be considered when proceeding with a merger, spin-off, acquisition, or shares transfer.

(2) Terms and Conditions of the Transaction and Level of Authorization:

A) Securities:

i. The undertaker shall assess and obtain approval from the Board of Directors before acquiring or disposing securities for long-term
investments. The Board of Director may authorize the chairperson to proceed with such according to internal regulations.

ii. The undertaker shall assess before acquiring or disposing securities for short-term investments within the credit limit specified in Article 6 of these Procedures.

B) Related Party Transactions:
Relevant documents should be prepared in accordance with Chapter II Section II entitled “Purchase of Real Estate from Related Parties” of these Procedures. Prepared documents should be submitted to the Audit Committee and approved by the Board of Directors.

C) Transactions of derivatives shall be proceeded in accordance with Chapter II Section III of these Procedures.

D) Others:
In the event that transaction price reaches amount specified in Article 27 for public reporting, such transaction should comply with procedures and regulations governed by the internal control system and level of authorization. All transactions should receive approvals from the Board of Directors first, except when acquiring or disposing equipment for operational use that can be reported to the Board of Directors upon completion of the transaction. If the transaction meets provisions described in Chapter 185 of the Articles of Incorporation, approvals from the shareholders’ meeting should be obtained first.

Acquisition or disposal of assets in accordance with these Procedures or relevant law and regulations shall be approved by the Board of Directors of the Company. If any director expresses dissenting opinions and these are recorded or declared in writing, the Company shall submit such dissenting opinions to the Audit Committee.

When submitting proposal for acquisition or disposal of assets to the Board of Directors for discussion, the opinion of each independent director shall be fully considered, and their explicit opinions of approval or objection shall be recorded in the board meeting minutes.

(3) Execution:

When the Company acquires or disposes real estate or equipment, appropriate approval shall be obtained according to the level of authorization and responsible department shall execute accordingly.

(4) Evaluation Procedure for Acquisition and Disposal of Assets:
When the Company acquires or disposes of real estate, equipment, or its right-of-use assets, if the transaction amount reaches twenty percent (20%) of the Company’s paid-in capital or exceeds NT$300 million, except in transactions with domestic government, hiring others to build on its own land, hiring others to build on rented land, or acquiring or disposing machinery and equipment or its right-of-use assets for operational use, it shall first obtain an appraisal report from a professional appraiser prior to the date of event occurrence and shall further comply with the following provisions:

A) Where due to special circumstances it is necessary to use a limited price, specified price, or special price as reference criteria for the transaction price, the transaction shall first be submitted for approval by the Board of Directors, and the same procedure shall be followed in the event of any future changes to the terms and conditions of the transaction.

B) Where the transaction amount reaches NT$1 billion or more, two or more professional appraisers shall be engaged to provide appraisal reports.

C) Unless all the appraisal results for the assets to be acquired are higher than the transaction price, or all the appraisal results for the assets to be disposed of are lower than the transaction price, where any of the following circumstances applies with respect to the results of a professional appraisal, a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF and to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price.

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

ii. The discrepancy between the results of two or more professional appraisals is ten percent (10%) or more of the transaction amount.

D) Where a professional appraisal is conducted before a contract execution date, no more than three months may pass between the date of the appraisal report and the contract execution date, provided that where the announced current value used in the appraisal is for the same period and not more than six months have elapsed, the original professional appraiser may issue supplemental opinions.

E) When acquiring or disposing assets through a court auction, the
certification issued by the court shall substitute the appraisal report or CPA opinion.

(5) When acquiring or disposing of intangible assets or its right-of-use assets or membership certificates where the transaction price reaches twenty percent (20%) of the Company’s paid-in capital or exceeds NT$300 million, a CPA shall be engaged to perform the appraisal opinions regarding the transaction price prior to the date of occurrence, except when trading with domestic government. Where CPA’s opinion shall be prepared in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.

Article 7-1
Calculation of Transaction Amount:
The transaction amount in the preceding article shall be calculated in accordance with paragraph 2, Article 27. In addition, the term “within the preceding year” as claimed above 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 in accordance with these Procedures need not be counted toward the transaction amount.

SECTION II.
PROCEDURES FOR TRANSACTIONS BETWEEN RELATED PARTIES

Article 8
When acquiring or disposing real estate from a related party, in addition to legal formalities, the substantive relationship with the counterpart shall also be considered when determining whether a transaction counterpart is a related party.

Article 9
Decision Making Process:
When the Company acquires or disposes real estate or its right-of-use assets or other assets or its right-of-use assets and amount reaches twenty percent (20%) of the Company’s paid-in capital or ten percent (10%) of the Company’s total assets or exceeds NT$300 million from a related party, except when trading domestic government bonds or bonds under repurchase and resale agreements, or subscription or buy back of domestic money market funds issued by security investment trust funds. The Company shall prepare the following documentation and submit to the Audit
Committee and approved by the Board of Directors before contracts can be signed and payments may be made:

1. The purpose, necessity, and anticipated benefits of the real estate acquisition or disposal.
2. Reasons for choosing the related party as a transaction counterpart.
3. When the Company acquires real estate or its right-of-use assets from related parties, information regarding assessment of the reasonableness of the anticipated transaction terms in accordance with previous described in Article 10 and Article 11 respectively.
4. The date and price at which the related party originally acquired the real estate, the original transaction counterpart, and that transaction counterpart’s relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, and assessment of the necessity of the transaction and the reasonableness of the use of funds.
6. Appraisal report from a professional appraiser or CPA’s opinion as stipulated in Article 7.
7. Restrictive conditions and other important stipulations associated with the transaction.

Calculation of the transaction price referred to in the preceding paragraph shall be done in accordance with Article 27, paragraph 2 herein, and “within the preceding year” refers to the year preceding the date of occurrence of the current transaction. Items for which documentation were submitted to the Audit Committee and approved by the Board of Directors need not be counted toward the transaction amount.

When the Company acquiring or disposing operational equipment or its right-of-use assets, and the right-of-use assets of real estate for business operations from its parent company, subsidiary, or subsidiaries of which the Company holds, either directly or indirectly, one hundred percent (100%) of issued shares or the total assets, the Board of Directors may authorize the chairperson to handle the matter if the transaction price is less than one percent (1%) of the Company’s total assets and report to the latest Board of Directors meeting for recognition on an after-the-event basis.

**Article 10**

**Evaluating the Reasonableness of the Transaction Conditions:**

The Company purchases real estate or its right-of-use assets from the related party and the transaction is exempt from the application in the event that the related party acquired real estate or its right-of-use assets by inheritance or as a gift; or more than
five years have passed from the time the related party signed the contract to receive the real estate or its right-of-use assets to the signing date of the current transaction; or acquiring real estate by the joint construction contract executed with the related party or through engaging a related party to build real estate either on the Company’s own land or on rented land; and the right-of-use assets of the real estate for business operations are acquired by the Company with the parent or subsidiaries, or by subsidiaries of which the Company holds, either directly or indirectly, one hundred percent (100%) of the issued shares or authorized capital. In addition to evaluating the cost of real estate pursuant to provisions prescribed in the following paragraphs, a CPA shall be engaged to review the appraisal and render a specific opinion.

(1) Based upon the related party’s transaction price plus necessary interest on funding and the cost to be duly borne by the buyer according to law. “Necessary Interest on Funding” is taken as the weighted average interest rate of borrowing in the year the Company purchases the assets. However, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

(2) Total appraisal loan value from any financial institution when the related party has previously created a mortgage on the target as security for a loan. However, the actual cumulative amount loaned by such financial institutions should have been 70% or more of the financial institutions’ appraised loan value of the property and the loan period should have been more than one year or more. However, this shall not apply when such financial institution is a related party of one of the transaction counterparts.

(3) When land and buildings thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and buildings may be separately appraised in accordance with either of the means listed in the foregoing paragraphs.

Article 11

Procedures When Evaluating Costs Are Lower Than the Transaction Price:

Where the evaluations reached by the Company pursuant to paragraph one through paragraph three in the preceding Article are consonantly lower than the transaction price, the provisions of paragraph three should apply; however, if any of the circumstances below exists, accompanied objective evidence provided by a professional real estate appraiser’s reasonableness opinion should be obtained and an accountant’s specific opinions rendered, the restriction shall not apply:
(1) Where the related party purchased a piece of undeveloped land or rented land for construction, and the evidence provided meets one of the following conditions:

A) The total value of the undeveloped land, evaluated based on the methods referred to in the preceding paragraph, and the building, calculated based on the real estate’s construction cost plus reasonable construction profit, is more than the actual transaction price. The said “Reasonable Construction Profit” shall be the average operating gross profit ratio of the construction department of the related party within the last three years or the most recent gross profit ratio of the construction industry published by the Ministry of Finance, whichever is lower.

B) The transaction of the other floors/levels on the same property of neighboring area in transactions completed by non-related parties within one year, the area being similar and the transaction condition being reasonable after reasonable appraisal of the price difference of floors/levels or region in accordance with real estate sale or lease transaction practice.

(2) The Company provides evidence to prove that the transaction conditions for purchase of the real estate or its right-of-use assets leased are similar to that of transactions completed by a related party correspond with those of other transactions of non-related parties in the neighboring area and within one year, with a similar size.

The transaction in the neighboring area described in the preceding paragraph shall mean the transaction of the real estate on the same or nearby street with a distance of less than 500 meters from the real estate in question or closely valued parcels of land of a similar size. The term “Similar Size” means that in the case of transaction of non-related party, the size is not less than 50% of the real estate in question. The term “Within The Preceding Year” means dating back for one year from the date of acquiring the real estate or its right-of-use assets of the current transaction.

When the Company acquires real estate or its right-of-use assets from a related party and the evaluations reached pursuant to Article 10 are consonantly lower than the transaction price and do not meet conditions stated in the first paragraph of this Article, then the following procedures shall be followed:

(1) The difference between the transaction price and the appraised cost of real estate or its right-of-use assets shall be allocated as special reserve in
accordance with the provisions of Article 41, paragraph 1 of the Securities and Exchange Act and may not be distributed or used for capital increase and issuance of bonus shares. The Company allocates special reserve in accordance with the preceding paragraph shall not use such special reserve until and unless a devaluation loss on the asset purchased or leased at a higher price has been rendered, or such asset has been disposed of, or the lease of such assets has been terminated, or proper compensation had been received, or the original status has been restored, or has been acquitted of the unreasonableness by other evidence and has been approved by the competent authorities.

(2) The Audit Committee should handle the matter pursuant to Article 218 of the Company Law.

(3) Report the handling condition of the first and second items to the shareholders’ meeting and disclose the detailed transaction content in the annual report and the prospectus.

SECTION III.
TRANSACTION OF DERIVATIVE PRODUCTS

Article 12

Scope:

(1) Financial derivatives referred herein are broadly defined as instruments that derive their value from the performance of underlying assets, interests, currency exchange rates, indexes or other. Such instruments include swaps, options, futures contracts, leverage contracts, forward contracts, and various combinations thereof. Forward contracts referred herein exclude insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term sales/purchase contracts. Claims of financial institutions shall be conducted in accordance with the same procedure.

(2) Transactions made to offset operational risk are hedging-purpose transactions, and transactions for making profit with additional risks are derivatives transactions.

Article 13

Strategy:

Instead of gaining profit through speculation, derivatives transactions shall be made to ensure the operating profit of the Company and hedge risks arising from the volatility
of exchange rate, interest rate, and asset price. Transaction of other assets shall be approved by the president or higher level management team.

Article 14

Roles and Responsibilities:

(1) Transaction Undertaker:
A person designated by the chairperson to undertake derivatives transactions for the Company. The person’s responsibilities include establishment of transaction strategy, implementation of transaction commands, disclosure of future transaction risks, and provide real-time information to related departments for reference.

(2) Accounting Management:
Responsible for the confirmation of transactions, bookkeeping and retention of transaction records and data in accordance with related regulations. Assessment of the fair market price of the positions held and provision of results to the transaction undertaker, and the disclosure of items in relation to derivatives in the financial statements.

(3) Financial Management:
Responsible for the settlement of derivatives transactions.

Article 15

Guidelines for Performance Assessment:

(1) Hedging-Purpose Transactions:
A) Assess performance based on the profit/loss generated between the exchange rate cost recorded in the book and the derivative transaction of the Company.
B) The Company assesses profit/loss based on the monthly evaluation to fully capture and express the assessed risk of transactions.
C) The Finance Department shall provide the results of assessment of foreign exchange position and analysis of the foreign exchange trend and market analysis to responsible personnel for reference.

(2) Specific-Purpose Transactions:
Performance shall be assessed based on the actual profit/loss generated, and financial statements based on the position held shall be prepared for management’s review on a periodic basis.
Article 16

The Total Amount of Implementable Contracts and The Maximum Limit of Loss:

(1) Total Amount of Implementable Contracts:
   A) Limit of Hedging-Purpose Transactions:

   Transactions for Hedging Foreign Exchange Risk: the total contract value shall not exceed the total amount of import/export in the same year.

   Transactions for Hedging Interest Rate Risk: the total contract value shall not exceed the total amount of liabilities.

   Transactions for Hedging Exchange Rate and Interest Rate Risk from Projects: the total contract value shall not exceed the total amount of project budget.

   B) Limit of Non-Hedging-Purpose Transactions:

   The Finance Department shall prepare transaction plan based on the needs and submit the plan to the president or a higher level management team for approval before implementation.

(2) Maximum Limit of Loss:
   A) Hedging-Purpose Transactions:

   As hedging-purpose transactions are implemented to hedge risks and lock-in on the foreign exchange cost, the hedging risk shall be the maximum limit of loss.

   B) Non-Hedging-Purpose Transactions:

   A stop limit shall be setup after position is established to prevent excessive loss. Setup of a stop limit shall not exceed 10% of the total amount of transaction contracts. When reaching the stop limit, actions are required to immediately report to the president or a higher level of management team to determine the continuation or termination of transactions. The total amount of accumulative loss in a year or the loss of an individual transaction contract shall not exceed one percent (1%) of the Company’s paid-in capital.

Article 17

Risk Management:

(1) Credit Risk Control:
While operational risk of derivatives is prone to changes in various factors in the market, credit risk management shall be implemented as follows:

**Counterpart:** Leading domestic and overseas financial institutions.

**Product:** Limited to financial instruments offered by leading domestic and overseas financial institutions.

**Amount:** The unsettled transaction amount of a single counterpart shall not exceed twenty percent (20%) of the authorized transaction amount, except for transactions approved by the president or higher level of management team.

(2) **Market Risk Control:**

Primarily the open currency market provided by the banks. As the potential risks from future market price volatility is unpredictable, the Company should uphold the stop limit after position is established.

(3) **Liquidity Risk Control:**

To ensure market liquidity, financial instruments with higher liquidity (i.e. that can be offset at any time) shall be prioritized. The financial institutions responsible for trading shall provide sufficient information and have the capability to trade in any markets at any time.

(4) **Cash Flow Risk Control:**

To ensure stable working capital turnover of the Company, source of the capital for derivative transaction shall be self-funded. The transaction shall take estimated capital needs in the next three months into consideration.

(5) **Operational Risk Control:**

A) The authorized credit limit and operational procedures shall be strictly complied with and included in internal audit process to prevent operational risks.

B) Undertaker of derivatives transactions shall not be the same person in charge of transaction confirmation and settlement, and vice versa.

C) Persons in charge of risks assessment, monitoring and control shall not be in the same department as those described in the preceding subparagraph. Those personnel shall report to the Board of Directors or senior executive officers not responsible for trading or determination of position.

D) The position held for derivative transactions shall be assessed at least once a week. Hedging-purpose transactions implemented for business needs shall be assessed at least twice a month. The assessment reports shall be submitted to senior executive officers authorized by the Board of Directors.
(6) Product Risk Control:
Personnel in charge of trading shall be equipped with sufficient knowledge and professional skills of the financial instruments and shall request the financial institutions to fully disclose associated risks.

(7) Legal Risk Control:
Documents signed with the financial institutions shall be examined and reviewed by professional staff in foreign exchange, legal affairs or legal consultant before execution.

Article 18
Level of Delegation/Authorization:

(1) Hedging-Purpose Transactions:

<table>
<thead>
<tr>
<th>Level of Approval</th>
<th>Management Team of the Finance Department</th>
<th>CFO</th>
<th>President</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below US$10M</td>
<td>※</td>
<td>※</td>
<td></td>
<td>※</td>
</tr>
<tr>
<td>Above US$10M</td>
<td>※</td>
<td>※</td>
<td>※</td>
<td>※</td>
</tr>
</tbody>
</table>

(2) Non Hedging-Purpose Transactions:

<table>
<thead>
<tr>
<th>Level of Approval</th>
<th>Management Team of the Finance Department</th>
<th>CFO</th>
<th>President</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below US$5M</td>
<td>※</td>
<td>※</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above US$5M</td>
<td>※</td>
<td>※</td>
<td>※</td>
<td>※</td>
</tr>
</tbody>
</table>

Article 19
Internal Control:

(1) The Board of Directors Appointed the Chairman to Follow Principles of Supervision and Management Described Below:
   A) Assign high-level managers to oversee the supervision and the control of associated risk with derivative transactions at all times.
   B) Periodically evaluate whether the results of the derivative transactions conform to the formulated operational policies and whether the attendant risk of these transactions is within the capability of the Company.

(2) The Principles of Supervision and Control of the High-Level Managers Authorized by the Chairman Are as Follows:
A) Periodically evaluate whether the risk management measures currently being used are suitable and whether they conform with these Procedures formulated by the Company.

B) When supervising the transactions and profitability status, if there are any abnormal situations, the high-level managers shall report to the Board of Directors immediately and if independent directors are established, the independent directors shall present on behalf of the Board of Directors and express their opinions.

(3) When the Company engages in derivative transactions conducted by authorized personnel pursuant to these Procedures, information relevant to the transactions shall be reported to the most recent Board of Directors meeting after completion of the transactions.

(4) Detailed Recording and Evaluation:
   The Company shall prepare a record book that details the types of derivative transaction, amounts of derivatives, Board of Directors approval date, and matters required to be carefully evaluated under paragraph 5 of Article 17, as well as subparagraph 2 of paragraph 1 and subparagraph 1 of paragraph 2 of Article 19.

**Article 20**

**Internal Audits:**

The Company’s internal auditors shall check the suitability of internal control of derivative transactions periodically and inspect monthly the compliance of the trading departments with these Procedures to engage in the transaction of derivative products and to prepare an audit report. If any material violation is discovered, these shall be notified to the Audit Committee and independent directors in writing.

**SECTION IV.**

**MERGERS, SPIN-OFFS, ACQUISITIONS AND SHARES TRANSFER**

**Article 21**

Prior to convening the Board of Directors for a resolution, the Company engaging in a merger, spin-off, acquisition or shares transfer shall retain opinions from accountants, attorneys or securities underwriters on the reasonableness of the share conversion rates, acquisition price or distribution of cash or other assets to shareholders, and submit the opinions to the Board of Directors meeting for discussion and approval.
Professional opinions may be exempted in the case that the Company merges a subsidiary it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries’ issued shares or authorized capital.

**Article 22**

Prior to convening the shareholders’ meeting, the Company participating in a merger, spin-off or acquisition shall prepare a public document addressed to the shareholders stating the significant stipulations of the merger, spin-off or acquisition plan and related matters, and deliver it to the shareholders along with the expert opinions described in the preceding Article and the notice of the shareholders’ meeting to provide the shareholders with a basis of reference for deciding whether to agree to the merger, spin-off or acquisition plan; However, conditions exempt the Company from convening the shareholders’ meeting for a resolution of matters of mergers, spin-offs or acquisitions pursuant to other laws, this restriction shall not apply.

If the shareholders’ meeting of any company (including the Company) participating in the merger, spin-off or acquisition is unable to convene or to resolve such a resolution because of inability to achieve a quorum or sufficient voting shares or because of other legal restrictions, or the plan is rejected by the shareholders’ meeting, the Company shall immediately make a public announcement of the reasons for such occurrence, the follow-up measures to be taken, and the anticipated date for convening of the shareholders’ meeting(s).

**Article 23**

Except provided by laws or under special circumstances where advance permission has been obtained from the Financial Supervisory Commission, the Company shall convene the board meetings and shareholders’ meetings and resolve resolutions regarding mergers, spin-offs or acquisitions and relevant matters on the same day along with other participating companies in the mergers, spin-offs or acquisitions. When participating in shares transfer, the Company shall convene the board meetings on the same day along with other participating companies.

When participating in a merger, spin-off or acquisition, the Company shall prepare the following documents in written record and retain for 5 years for reference:

1. Personal 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.

(2) Dates of Material Events:
including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the date convening of a Board of Directors meeting.

(3) Important Documents and Minutes:
including merger, spin-off, acquisition, and shares transfer, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.

The Company shall, within two days of passage of a resolution by the Board of Directors meeting, report (in the prescribed format and via web-based information system) the information set out in subparagraphs 2 and 3 of the preceding paragraph to the Financial Supervisory Commission for recordation.

When the Company engages in a merger, spin-off, acquisition, or shares transfer plan with a company that is not listed in the stock exchange or whose stock is not sold at securities brokerages, the Company shall sign an agreement with the said company, and implement the transaction according to paragraphs 2 and 3.

**Article 24**

**Share Conversion Rates and Acquisition Prices:**

When the Company engages in a merger, spin-off, acquisition or shares transfer plan, the share conversion rates or the acquisition price may not be arbitrarily changed expect conditions provided below, and conditions for change shall be provided in the merger, spin-off, acquisition or shares transfer plan:

(1) Cash capital increase, issuance of convertible corporate bonds, distribution of stock dividends, issuance of corporate bonds with warrants, preferred shares with warrants, subscription warrants, and other equity securities.

(2) Acts affecting Company’s finances or operations, such as disposal of major assets.

(3) Occurrence of major disasters, major technological transformations, or other events affecting Company’s shareholders’ equity or Company’s securities prices.

(4) An adjustment where any of the companies participating in the merger, spin-off, acquisition, or shares transfer from another company, buys back treasury stock.

(5) Increase, decrease, or change in the entities, or number thereof, participating in the merger, spin-off, acquisition or shares transfer.
(6) Other terms and conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 25

Content of Contract:

When the Company engages in a merger, spin-off, acquisition or shares transfer plan, the contract shall specify the rights and obligations of the companies participating in the merger, spin-off, acquisition or shares transfer and shall also specify the following:

(1) Handling of breach of contract.
(2) 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.
(3) The quantity of treasury stock that a participating company may redeem after the record date of calculation of the share conversion ratio, and relevant handling procedures.
(4) The handling methods of which there is an increase, decrease, or change in the entities, or number of participating entities or companies.
(5) The scheduled timetable for execution of the plan, and anticipated completion date.
(6) Scheduled date for convening the legally mandated shareholders’ meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 26

Other Matters When the Company Engages in a Merger, Spin-off, Acquisition or Shares Transfer Plan:

(1) All persons participating in or have knowledge of the Company’s merger, spin-off, acquisition or shares transfer plan shall submit a written statement of nondisclosure. Prior to public disclosure of the merger, spin-off, acquisition or shares transfer information, such persons may not externally disclose any content of the merger, spin-off, acquisition or shares transfer plan, nor may they 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 shares transfer.
(2) Following public disclosure of information about the Company participating in a merger, spin-off, acquisition or shares transfer, if the Company has an intention to undergo a further merger, spin-off, acquisition or shares transfer
with another company, any procedures or legal actions already carried out by the Company under the original merger, spin-off, acquisition or shares transfer plan shall be carried out anew except conditions that the number of the participating companies decreases and the companies’ shareholders’ meeting has made a resolution and authorized the Board of Directors the right for modification, the Company is exempt from convening the shareholders’ meeting for another resolution.

(3) If the companies participating in the merger, spin-off, acquisition or shares transfer are categorized as non-public companies, the Company shall enter into an agreement with the companies in accordance with provisions described in Articles 23 and the preceding two paragraphs.

CHAPTER III. PUBLIC DISCLOSURE OF INFORMATION

Article 27

Procedures for Public Disclosure:

When acquiring or disposing assets as provided below, the Company shall publicly announce and report relevant information in accordance with its nature on the Financial Supervisory Commission’s designated website in the prescribed format within two business days commencing immediately from the date of occurrence of said matter:

(1) Acquisition or disposal of real estate or its right-of-use assets from or to a related party, or acquisition or disposal of assets or its right-of-use assets other than real estate from or to a related party where the transaction amount reaches twenty percent (20%) or more of the Company’s paid-in capital, ten percent (10%) or more of the Company's total assets, or exceeds NT$300 million; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements or subscription or buy back of domestic money market funds issued by security investment trust funds.

(2) Proceeding mergers, spin-offs, acquisitions, or shares transfer.

(3) Losses from derivative transaction exceeding the overall limit or individual contract limit specified in these Procedures.

(4) Where the type of asset or its right-of-use assets acquired or disposed is equipment for business use, the trading counterpart is not a related party, and the transaction amount meets any of the following criteria:

A) For a public company whose paid-in capital is less than NT$10 billion, the transaction amount reaches NT$500 million or more.
B) For a public company whose paid-in capital is NT$10 billion or more, the transaction amount reaches NT$1 billion or more.

(5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the transaction is with an unrelated party and the amount the Company expects to invest in the transaction reaches NT$500 million or more.

(6) When asset transactions other than those referred to in the preceding five subparagraphs, including disposal of receivables by a financial institution or investment in mainland area that amount reaches 20% of the Company’s paid-in capital or NT$300 million or more; However, the following circumstances shall not apply:

A) Trading of domestic government bonds.

B) Trading of bonds under repurchase/resale agreements, or subscription or buy back of money market funds issued by domestic securities investment trust funds.

The amount of the transactions in the foregoing paragraph shall be calculated as follows:

(1) The amount of any individual transaction
(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
(3) The cumulative transaction amount of real estate acquisitions and dispositions (cumulative acquisitions and dispositions, respectively) within the same development project within the preceding year.
(4) The cumulative transaction amount of acquisitions and dispositions (cumulative acquisitions and dispositions, respectively) of the same security within the preceding year.

The term "Within The Preceding Year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.

The Company shall compile monthly reports on the status of derivative transactions engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies, and shall enter the information in the prescribed
format into the information reporting website designated by the regulators by the 10th day of each month.

Where an error or omission occurs at the time of public announcement, the Company is required to correct the error, and all the items shall be publicly announced again in their entirety within two days from the date of knowing of such error or omission.

**Article 28**

When any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the foregoing paragraph, a public report of relevant information shall be made on the information reporting website designed by the regulators within two business days starting on the day of occurrence of the fact:

(1) Change, termination, or dissolution of a contract signed in connection with the original transaction.
(2) The merger, spin-off, acquisition, or shares transfer is not completed by the scheduled date set forth in the contract
(3) Changes to the content of contract that was originally announced and reported publicly.

**CHAPTER IV SUPPLEMENTAL PROVISIONS**

**Article 29**

When the Company acquires or disposes assets, it shall keep all relevant contracts, meeting minutes, record books, appraisal reports, written opinions from CPA, attorney, or securities underwriter at the Company headquarters, where they shall be preserved for at least five years except when other laws stipulate otherwise.

**Article 30**

**Governance of The Company’s Subsidiary Acquiring or Disposing Assets:**

(1) Subsidiaries shall establish and implement their own “Procedures for Asset Acquisition or Disposal” in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”. After the Board of Directors of a subsidiary approves these Procedures, a subsidiary shall report these Procedures to the shareholders’ meeting and the parent company. The same shall apply to the amendments thereof.
(2) The Company’s subsidiaries shall follow procedures defined in its “Internal
Control System” and “Procedures for Assets Acquisition or Disposal” when acquiring or disposing assets. Subsidiaries shall also report to the parent company in writing before the 5th day of each month on the transaction amount and financial derivative transactions engaged by it up to the end of the previous month. The Company’s audit department should include the procedures for subsidiary acquiring or disposing assets in its regular audit process. The aforementioned audit process should report to the Board of Directors and the Audit Committee as a mandatory reporting item.

(3) When a non-public subsidiary acquires or disposes assets reaching the requirements for disclosure and reporting in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the parent company shall announce and report on and for its behalf.

(4) The term “Transaction Amount Reaches Twenty Percent (20%) of The Company’s Paid-In Capital or Ten Percent (10%) of The Company’s Total Assets” described in these Procedures for filing and public announcement for subsidiaries refers to the parent company’s financial statements and in compliance with Article 30-1 of these Procedures.

**Article 30-1**

The ten percent (10%) of total assets hereunder shall be calculated based on the amount of total assets disclosed in the latest individual financial statements as specified in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. When the Company’s stock has no face value or the face value per share is not NT$10.00, the transaction amount limit at twenty percent (20%) of the paid-in capital herein shall be calculated at ten percent (10%) of the parent company’s equity; for calculations under the provisions of these Regulations regarding transaction amounts relative to paid-in capital of NT$10 billion, NT$20 billion of equity attributable to owners of the parent shall be substituted.

**Article 31**

**Penalty:**

Undertakers of the Company who violates these Procedures shall be penalized in accordance with the personnel and related regulations of the Company. Penalty will be based on the severity of the offence and conduct periodic performance evaluation.

**Article 32**

**Approval and Amendment:**
After receiving approval from the Audit Committee, these Procedures shall be submitted to the Board of Directors for approval and resolved at the shareholders’ meeting. If any director expresses dissenting opinions and these are recorded or declared in writing, the Company shall send such dissenting opinions to shareholders’ meeting for discussion. Any amendment hereof shall require the same process.

Full consideration shall be taken into account of the opinions expressed by all independent directors when these Procedures are proposed to the Board of Directors for discussion, any consenting and objecting opinion expressed by independent directors shall be explicitly noted in the Board of Directors meeting minutes.