

Phihong Technology Co., Ltd.

Procedures for Acquisition or Disposal of Assets

Chapter I General Provisions

1. Purpose and basis of law:

In order to strengthen asset management and implement information disclosure, the Procedures are formulated in accordance with Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

2. The scope of assets:

- (1) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- (2) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) 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: Forward contracts, option contracts, futures contracts, leveraged margin contracts, swap contracts, and combinations of these contracts, or combined contracts embedded in derivatives or structured commodities, whose value is derived from specific interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indices, credit ratings or credit indices, or other variables. The term "forward contracts" excludes insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term import (sales) contracts.
If the Company engages in bond margin trading, it shall also handle it in accordance with the provisions of the Procedures.
- (8) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with the law, the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act, or other laws, or the issuance of new shares to acquire shares of other companies in accordance with Article 156, Paragraph 3 of the Company Act (hereinafter referred to as transfer of shares).
- (9) Other major assets.

3. Evaluation procedure:

- (1) When the Company acquires or disposes of investments in financial instruments (including transactions of derivatives), the financial and accounting departments shall analyze the relevant benefits and evaluate possible risks, while for the acquisition or disposal of real estate and other assets, each relevant unit shall draw up a capital expenditure plan in advance, and conduct a feasibility assessment on the purpose of the acquisition or disposal, expected benefits, etc. If it is a transaction with a related party, they shall assess the reasonableness of the transaction conditions in accordance with the provisions of Chapter II of the Procedures.
- (2) When the Company acquires or disposes of marketable securities, the Company shall obtain the most recent financial statements of the subject company that have been audited or reviewed by an accountant as a reference for assessing the transaction price. For the acquisition or disposal of marketable securities not traded in a centralized trading market or Taipei Exchange, privately placed securities and memberships, intangible assets, or their right-of-use assets, if the transaction amount reaches 20% of the company's paid-in capital

or NT\$300 million or more, besides having transactions with a domestic government agency, the Company shall also engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. However, if the securities are publicly quoted in an active market or as otherwise specified by the Financial Supervisory Commission (FSC), this shall not apply.

- (3) If the Company acquires or disposes of real estates, equipment or their right-of-use assets of which the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, the Company shall engage a professional and impartial appraiser to issue an appraisal report prior to the date of occurrence of the fact and handle them in accordance with the asset appraisal procedure in the Procedures.
- (4) The Company's merger, demerger, acquisition, or transfer of shares shall be handled in accordance with Article 18 of the Procedures.
- (5) The method and reference basis for determining the price of assets acquired or disposed of by the Company shall be handled based on the following circumstances, in addition to referring to the appraisal report and opinions of CPAs and other relevant experts in accordance with the aforementioned provisions:
 1. The acquisition or disposal of marketable securities traded in the centralized trading market or Taipei Exchange shall be determined by the prevailing price of the equity or bonds.
 2. The acquisition or disposal of marketable securities not traded in the centralized trading market or Taipei Exchange shall be determined by taking into account the net value per share, technology and profitability, future development potential, market interest rates, coupon rates of bonds, debtors' creditworthiness and prevailing trading prices.
 3. The acquisition or disposal of membership shall be determined by taking into account the benefits that it can produce and prevailing trading prices. The acquisition or disposal of intangible assets, such as patents, copyrights, trademarks, franchise rights, shall refer to international or market practices, the valid period, and the impact on the Company's technology and business.
 4. The acquisition or disposal of real estate and equipment shall refer to the current value, current value assessed, actual transaction price or book value of the neighboring real estate, and supplier quotations. If the real estate is purchased from a related party, it shall first be calculated according to the method specified in Chapter II of the Procedures to assess whether the transaction price is reasonable.
 5. The trading of derivatives shall take into account the transaction in the futures market, exchange rates, and interest rate trends, etc.
 6. Any merger, demerger, acquisition, or transfer of shares shall take into account the nature of business, net value per share, asset value, technology and profitability, production capacity, and future growth potential.

4. Operating procedures:

(1) Authorization limits and levels

1. Marketable securities: The General Manager is authorized to trade within the limit set in Article 7 of the Procedures. If a transaction meets the standard for announcement and report specified in Article 5, it must be reported to the Chairman for reference on the next day and submitted to the most recent Board of Directors for ratification. However, for the acquisition or disposal of stocks, corporate bonds, and privately placed securities not traded in a centralized trading market or Taipei Exchange, with the transaction amount reaches the standard for announcement and report, it must be approved by the Board of Directors before trading. In addition, investment in mainland China shall be approved by the shareholders' meeting or be conducted by the Board of Directors after authorized by the shareholders' meeting, with the approval of the Investment Commission, Ministry of Economic Affairs.

2. Derivatives trading

The Company engages in derivatives trading only for hedging purposes. Based on changes in the Company's revenue and risk positions, the division of responsibilities and the amount

authorized for such transactions shall be handled in accordance with Paragraph 5, Article 14 of the Procedures.

3. Related party transactions: Relevant information shall be prepared in accordance with the provisions of Chapter II of the Procedures and submitted to the Audit Committee and the Board of Directors for approval.
4. Mergers, demergers, acquisitions, or transfer of shares: Relevant procedures and materials shall be prepared in accordance with the provisions of Chapter IV of the Procedures. Mergers, demergers, and acquisitions must be conducted only after approved by the shareholders' meeting, except for those that are exempted from the approval by the shareholders' meeting in accordance with other laws and regulations. In addition, the transfer of shares shall be conducted after the approval of the Board of Directors.
5. Others: It shall be handled in accordance with the operating procedures stipulated by the internal control system and the decision-making authority. If the transaction amount reaches the standard for announcement and declaration specified in Article 5, except for the acquisition or disposal of equipment or right-of-use assets held for business use that may be reported to the Board of Directors for ratification afterwards, it shall be approved by the Board of Directors first before execution. For any circumstances stipulated in Article 185 of the Company Act, it shall be approved by the shareholders' meeting first before execution.

(2) Execution unit and transaction process:

As for the execution unit of the Company's investments in financial instruments (including derivatives trading), the accounting department and the personnel designated by the Chairman is responsible for marketable securities and derivatives trading; the user department and relevant responsible units are the execution units of real estate and other assets, while mergers, demergers, acquisitions, or transfer of shares shall be handled by the execution unit designated by the Chairman. After an asset to be acquired or disposed of is assessed and approved in accordance with regulations, the execution unit shall proceed to conduct the transaction procedures, from signing of the contract, receipt and payment, delivery to acceptance, and comply with operating procedures related to the internal control system based on the nature of the asset. In addition, the acquisition of real estate or right-of-use assets from a related party, trading of derivatives, mergers, demergers, acquisitions, or transfer of share shall be handled in accordance with the provisions of Chapters II to IV of the Procedures.

5. Public announcement and report procedure:

- (1) Under any of the monitoring systems top circumstances, the Company acquiring or disposing assets shall publicly announce and report the relevant information on the website designated by the FSC in the appropriate format as prescribed by regulations within 2 days from the date of the event.
 1. Acquisition or disposal of real estate or the right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or the right-of-use assets from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets or NT\$300 million or more. This does not apply to trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
 2. Merger, demerger, acquisition, or transfer of shares.
 3. The losses from derivatives trading reaches the upper limit of all or individual contract losses as stipulated in Paragraph 4, Article 14 of Chapter III of the Procedures.
 4. Acquisition or disposal of equipment for business use or their right-of-use assets, and the transaction counterparty is not a related party, and the transaction amount exceeds NT\$500 million.
 5. The real estate is acquired under an arrangement of engaging others to build on the Company's own land or 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 counterparty is not a related party, and that the amount the Company expects to invest in the transaction is more than NT\$500 million.
 6. In the case of asset transactions other than the ones specified in the preceding five paragraphs,

claims disposed of by financial institutions or investment in mainland China, the amount of each transaction, the cumulative transaction amount of acquisitions and disposals of the same type of assets with the same transaction counterparty within the preceding year, the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real estate or their right-of-use assets within the same development project within the preceding year, or the cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year reaches 20% of the Company's paid-in capital or NT\$300 million or more. "Within the preceding year" herein refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with Regulations Governing the Acquisition and Disposal of Assets by Public Companies need not be counted toward the transaction amount. However, this does not apply to the following circumstances:

- (a) Trading of domestic government bonds or foreign government bonds with credit ratings no less than the sovereign credit rating in Taiwan.
 - (b) Where done by professional investors—securities trading on Stock Exchange or OTC markets, or subscription of foreign government bonds, ordinary corporate bonds, or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or repurchase of index investment securities, or subscription by a securities firm of securities as necessitated by its underwriting business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
 - (c) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- (2) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format in the table into the website designated by the FSC by the 10th day of each month.
 - (3) At the time of public announcement makes an error or omission in an item to be publicly announced and so is required to correct it, all the items shall be again publicly announced in their entirety within two days counting inclusively from the date of knowing of such error or omission.
 - (4) If any of the following circumstances occurs with respect to a transaction that has been publicly announced and reported in accordance with the provisions of (I), a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
 1. Change, termination, or rescission of a contract signed in regard to the original transaction.
 2. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 3. Change to the original publicly announced and reported information.

6. Asset valuation procedure:

When the Company acquires or disposes of real estate, equipment, or right-of-use assets where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets held for business use, the Company shall obtain an appraisal report (refer to Attachment 1 for matters to be specified) prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions. However, in the event that the Company acquires or disposes of assets through a court auction process, a court certificate may be issued in lieu of an appraisal report or an accountant's opinion.

- (1) If, for special reasons, the transaction price is based on a limited price, a specific price or a special price, the transaction shall be submitted to and approved by the Board of Directors, and any future changes to the terms of the transaction shall be subject to the same procedures as above.
- (2) If the transaction amount is more than NT\$1 billion, the Company shall ask two or more professional appraisers for appraisal.
- (3) If any of the following circumstances applies to the professional appraiser's appraisal results, except where the appraisal results of the assets acquired is higher than the transaction amount or the appraisal results of the assets disposed of is lower than the transaction amount, an accountant shall be requested to express a specific opinion on the reason for the difference and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is 20% or more.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more.
- (4) The date of issuance of the professional appraiser's report shall not exceed three months from the date of contract formation; provided, however, that if the current value of the appraisal applies to the same period of publication and is less than six months old, an opinion may be issued by the original professional appraiser.

7. Investment scope and limit:

In addition to acquiring assets for business use, the Company and its subsidiaries may invest in real estate and its right-of-use assets or marketable securities that are not for business use. The respective limits are as follows. When calculating the limits in subparagraphs (4) and (5), the investments made by those who participate in the establishment of the investments or serve as directors or supervisors and intend to hold them on a long term may not be included in the calculation.

- (1) The aggregate amount of real estate not for business use shall not exceed 50% of the Company's net value in its most recent financial statements, while for its subsidiaries, it shall not exceed 30% of the subsidiary's net value in its most recent financial statements.
- (2) The aggregate amount of marketable securities not for business use shall not exceed 40% of the Company's net value in its most recent financial statements, while for its subsidiaries, it shall not exceed 40% of the subsidiary's net value in its most recent financial statements.
- (3) The aggregate amount invested in each marketable security shall not exceed 30% of the Company's net value in its most recent financial statements, while for its subsidiaries, it shall not exceed 20% of the subsidiary's net value in its most recent financial statements.
- (4) The respective net investment by the Company and its subsidiaries in a single TWSE/GTSM listed company shall not exceed 10% of the respective company's net value in its most recent financial statements.
- (5) The total ownership by the Company and its subsidiaries for a single TWSE/GTSM listed company shall not exceed 10% of the total issued shares of the said TWSE/GTSM listed company.
(Note: For subparagraphs (1)–(3), please regulate the proportion or amount, such as a certain percentage of the capital; subparagraphs (4)–(5) are Taiwan Stock Exchange's and Taipei Exchange's requirements for companies applying for listing.)
- (6) Securities investments, asset purchases, or mergers made for strategic purposes are not subject to the above-mentioned limit of amount or percentage; however, the Board of Directors' prior approval or afterwards approval is required.

8. Control and management of assets acquired or disposed of by subsidiaries:

- (1) Subsidiaries of the Company shall also formulate the Procedures for Acquisition or Disposal of Assets in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, which shall be approved by the Audit Committee and the Board

of Directors of the Company, and the same applies to any amendment thereto.

- (2) The acquisition or disposal of assets by the subsidiaries of the Company shall be handled in accordance with the “internal control system” and the Procedures for Acquisition or Disposal of Assets established by each subsidiary, and the subsidiaries shall report the status of their derivatives trading as of the end of the previous month to the Company in a written summary by the 5th day of each month.
- (3) If a subsidiary of the Company is not a public company, and the assets acquired or disposed of meet the standard for public announcement and report, it shall notify the Company within the day when the event occurs, and the Company shall conduct the announcement and report on the website designated in accordance with the regulations.
The standard for public announcement and report as in Article 5 regarding the amount of paid-in capital or total assets applies to the subsidiary in the preceding paragraph, and the amount of paid-in capital or total assets of the Company shall prevail.

9. Penalty:

When the relevant handling personnel involved in the Company's acquisition or disposal of assets violate the FSC's Regulations Governing the Acquisition and Disposal of Assets by Public Companies or the Procedures, the violation shall be handled in accordance with the following regulations depending on the circumstances. The violation will be recorded and used as a reference for the annual personal performance evaluation.

- (1) Violation of the decision-making authority: The first-time violator shall be given a verbal warning, the personnel who violate the regulations again shall be given a written warning and participate mandatorily in the internal control system training classes. Repeat violators or those with serious circumstances shall be transferred from the original job.
- (2) Violation of valuation procedures: The first-time violator shall be given a verbal warning, the personnel who violate the regulations again shall be given a written warning and participate mandatorily in the internal control system training classes. Repeat violators or those with serious circumstances shall be transferred from the original job.
- (3) Violation of the public announcement and report: The first-time violator shall be given a verbal warning, the personnel who violate the regulations again shall be given a written warning. Repeat violators or those with serious circumstances shall be transferred from the original job.
- (4) The supervisor of the violator shall also receive penalty except for those who can reasonably explain that they have taken preventive measures beforehand.
- (5) Where the Board of Directors or directors violate relevant regulations and the resolutions of the shareholders' meeting when performing duties, the Audit Committee shall notify the Board of Directors or directors to stop the violation in accordance with Article 218-2 of the Company Act.

Chapter II Related-party Transactions

10. Basis for identification:

If the Company acquires or disposes of assets from a related party and the transaction amount reaches more than 10% of the Company's total assets, an appraisal report issued by a professional appraiser or CPA's opinion shall also be obtained in accordance with the provisions of the preceding section.

The calculation of the transaction amount in the preceding paragraph shall be conducted in accordance with Article 12 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

11. Resolution procedure:

When the Company intends to acquire or dispose of real estate or the right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real estate or the

right-of-use assets from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to and verified by the Audit Committee and approved by the Board of Directors:

- (1) The purpose, necessity, and expected benefits of acquiring or disposing of the assets.
- (2) Reasons for selecting the related party as the transaction counterparty.
- (3) With respect to the acquisition of real estate or the right-of-use assets from a related party, information regarding appraisal of the Acquisition of the preliminary transaction terms in accordance with the exceptions clause specified in Article 12 or Article 13.
- (4) Matters regarding the date and price and the transaction counterparty in the original acquisition by the related party, and the relationship between said counterparty, 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 former article.
- (7) Restrictions on this transaction and other important agreed matters.

The calculation of the transaction amount in the preceding paragraph shall be conducted in accordance with Paragraph 2, Article 31 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and the "within the preceding year" herein refers to the year preceding the date of occurrence of the current transaction. Items submitted to the Audit Committee and the Board of Directors for approval in accordance with the provisions need not be counted toward the transaction amount.

Where the Company, its subsidiaries, or its subsidiaries in which the Company directly or indirectly holds 100% of the issued shares or total share capital engage in the following transactions with each other, the board of directors may authorize the chairman to make decisions for a transaction amounting to no more than NT\$500 million and then to report to the next board meeting for ratification.

When the subsidiary of the Company or a non-domestically-listed company has the transaction stated in paragraph 1, and when the transaction amount reaches 10% of the Company's total assets or above, the Company may only enter into the transaction contract and make payment after submitting the information stated in paragraph 1 to the shareholders' meeting for approval. However, this shall not apply to transactions between the Company and its subsidiaries or between the subsidiaries.

The calculation of the transaction amount in paragraph 1 and the preceding paragraph shall be conducted in accordance with Paragraph 2, Article 31 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, and "within a year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the shareholders' meeting, Audit Committee, and the board of directors for approval in accordance with the provisions of said regulations need not be counted toward the transaction amount.

12. Evaluation of the reasonableness of transaction conditions:

Where the Company acquires real estate or right-of-use assets thereof from a related party, except that the related party acquires real property or right-to-use assets thereof (1) through inheritance or as a gift; (2) with more than five years having 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; (3) 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 on rented land; or (4) the real estate right-of-use assets for business use are acquired between the Company and its subsidiaries or subsidiaries in which it directly or indirectly holds 100% of the issued shares or

total share capital, the Company shall evaluate the reasonableness of transaction costs according to the following methods, and engage a CPA to review and express a specific opinions.

- (1) 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 asset; provided that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- (2) Total loan value appraised by a financial institution where the related party has previously created a mortgage on the asset as security for a loan; provided that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the asset 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 transaction counterparties.
- (3) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

13. Matters to be conducted when the transaction cost is assumed to be lower than the transaction price:

When the results of the Company's appraisal conducted in accordance with the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 3. 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 have been obtained, this restriction shall not apply:

- (1) Where a related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - I. Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average 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.
 - II. Completed transactions by unrelated parties within a year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- (2) Where the Company that acquires real estate or obtains real estate right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within a year.

The completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in said transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate or obtainment of right-of-use assets thereof.

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

- I. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the real estate transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Paragraph 1, Article 4 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the company's equity stake in the other company.
- II. The Audit Committee shall handle it in accordance with Article 278 of the Company Act.
- III. The handling status with regard to the preceding two paragraphs shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and the prospectus.

Chapter 3 Control and Management of Derivatives Trading

14. Trading principles and policy:

- (1) Type of trading: The types of derivatives that the Company may trade are currently limited to foreign currency forward, foreign exchange options, interest rate options (IRO), index option, equity derivatives, cross currency swap, interest rate swap, asset swap, interest futures, index futures, and commodity futures, warrants, and other structured derivatives.
- (2) Operation or hedging strategy: The Company engages in derivatives trading for hedging purposes. The strategy shall aim to circumvent operating risks, and the choice of trading products shall focus on circumventing risks of foreign exchange revenue, expenditure, assets, or liabilities arising from the Company's business operations.
- (3) Total amount of transaction contract:
In principle, the foreign exchange position (including the position expected to be generated in the future) after assets and liabilities are offset shall be the upper limit for hedging.
- (4) The upper limit of losses for all and individual contracts
The upper limit of total contract loss shall not exceed 20% of the total contract amount, and is applicable to the upper limit of each individual contract loss.
- (5) Division of responsibilities and authorized transaction limits

I. Authorized transaction limit

Authorized level	Daily limit	
	Spot transaction	Derivative—non-spot
Financial Manager	US\$2 million or less	-
Chief of Finance and Accounting	US\$2 million–US\$5 million (inclusive)	US\$5 million or less
General Manager	More than US\$ 5 million	US\$5 million–US\$10 million (inclusive)
Chairman	-	More than US\$10 million

Daily transactions must be authorized by the responsible supervisor before conducted.

- II. Trading personnel: The executive personnel of the Company's derivatives trading, with the approval of the board of directors, shall be responsible for the formulation of trading strategies within the authorized scope, execution of trading instructions, disclosure of future trading risks, and provision of real-time information to relevant departments for reference.
- III. Accounting unit: It shall account for trading, retain the trading data, regularly evaluate the fair market value of the positions held for the trading personnel, and disclose the relevant matters of the derivatives in the financial statements in accordance with relevant regulations.

IV. Financial unit: It is responsible for the confirmation of trading and the settlement of derivatives trading.

(6) Essentials of performance evaluation

I. Hedging transactions: The performance evaluation is based on the cost of exchange (interest) rate on the Company's book and the profit and loss generated from the derivatives trading. The evaluation shall be conducted at least twice a month, and the results shall be submitted to the management for reference.

II. Purpose-specific transactions: The performance evaluation is based on the actual profit and loss generated, and shall be conducted at least once a week, and the results shall be submitted to the management for reference.

15. Risk management measures:

For the derivatives trading by the Company, the scope of its risk management and risk management measures to be adopted are as follows:

- (1) Credit risk: The Company chooses financial institutions and futures brokers that have a good reputation and can provide professional information as the trading counterparties.
- (2) Market risk: As the possible losses caused by future market price fluctuations of derivatives are uncertain, the stop-loss points set shall be strictly adhered to after a position is created.
- (3) Liquidity risk: In order to ensure the liquidity of products traded, the institutions the Company trades with must have sufficient equipment, information, and trading capabilities and be able to trade in any market.
- (4) Operational risk: The authorized limit and operating process must be strictly observed to avoid operational risks.
- (5) Legal risk: For any contractual documents signed with financial institutions, international standardized documents shall be adopted as much as possible to avoid any legal risk.
- (6) Commodity risk: Internal traders shall have complete and correct professional knowledge of the derivative commodities traded, so as to avoid misuse of derivative commodities leading to losses.
- (7) Risk of settlement in cash: Authorized traders shall strictly abide by the regulations on the authorized limit, and shall also pay attention to the Company's cash flow regularly, to ensure that there is sufficient cash for settlement.
- (8) Trading, confirmation, and settlement personnel shall not be served by the same personnel concurrently.
- (9) Confirmation personnel should regularly verify and confirm statements with the correspondent bank, and inspect whether the total transaction amount exceeds the upper limit stipulated in the Procedure at any time.
- (10) The risk evaluation, supervisory, and control personnel shall belong to different departments from the personnel as in (I), and shall report to the board of directors or to senior executives who are not responsible for making decisions on trading or positions.
- (11) The positions held shall be evaluated at least once a week, but the transactions for hedging conducted for the business needs shall be evaluated at least twice a month, and the evaluation report shall be submitted to a senior executive authorized by the board of directors (Note: The senior executive designated shall not from an execution unit).

16. Internal audit system:

- (1) The internal auditors of the Company shall regularly examine the adequacy of the internal control of derivatives trading, conduct a monthly audit of the trading department's compliance with the operating procedures for derivatives trading, and prepare an audit report. If they discover a material violation, they shall report to the chairman and the senior executives designated by the board of directors immediately, while informing the Audit Committee in writing.
- (2) The Company's auditors shall include derivatives trading in the audit plan, and report on the

implementation of the previous year's annual audit plan to the competent authority by the end of February in the following year, while reporting on the improvement of anomalies to the competent authority no later than the end of May in the following year for future reference.

17. Regular assessment methods and anomaly handling:

- (1) The trading of derivatives shall be evaluated on a monthly or weekly basis, and the profit and loss for the current month or week shall be summarized and submitted to the chairman and the senior executives authorized by the board of directors as a reference for management performance evaluation and risk evaluation.
- (2) The senior executives designated by the board of directors of the Company shall always pay attention to the supervision and control of derivatives trading risks. The board of directors shall also assess whether the performance of derivatives trading is in line with the established business strategy and whether such risks are within the Company's range of risk tolerance.
- (3) Senior executives authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
 - I. Regularly evaluate whether the risk management measures currently adopted are appropriate and are indeed handled in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the relevant provisions of the Procedure.
 - II. Supervise the trading and the profit and loss situation, and if any anomaly is found, the senior executives shall take necessary countermeasures and report to the board of directors immediately. The company has engaged independent directors, and the board of directors shall have independent directors present and express their opinions.
 - III. The Company is engaged in derivatives trading and authorizes relevant personnel to handle it in accordance with the provisions of the Procedure, who shall report to the next board meeting afterwards.
- (4) The Company shall establish a log book, in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, monthly or weekly periodic evaluation reports, and periodic evaluations by the senior executives authorized by the board of directors shall be recorded in detail.

Chapter IV Mergers, demergers, acquisitions, or transfer of shares

18. The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the stock swap ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a subsidiary, in which the Company directly or indirectly holds 100% of the issued shares or total share capital, or in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or total share capital.
19. The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in the preceding article when sending shareholders the notice of the shareholders' meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts the Company from convening a shareholders' meeting to approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution for some reason, or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, demerger, or acquisition shall immediately publicly explain the reason, the subsequent measures, and the

scheduled date of the next shareholders' meeting.

20. The Company participating in a merger, demerger, or acquisition shall convene a board meeting and shareholders' meeting on the same day as other participating companies to resolve matters relevant to the merger, demerger, or acquisition, while convening a board meeting on the same day as the other participating companies for transfer of shares unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

In the case of a merger, demerger, acquisition, or transfer of shares, a participating company that is listed on an exchange or has its shares traded on an OTC market shall prepare a full written record of the following information and retain it for five years for reference:

- (1) Basic identification data of personnel: It shall include the job title, name, and national ID number (or passport number in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of shares prior to disclosure of the information.
- (2) Dates of material events: It shall include 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 meeting.
- (3) Important documents and minutes: It shall include merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board meetings.

21. Stock swap ratio or acquisition price

The Company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the stock swap ratio or acquisition price unless under any of the circumstances below:

- (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of stock dividends, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
- (2) An action, such as a disposal of major assets, that affects the company's financial operations.
- (3) An event, such as a major disaster or major change in technology, that affects shareholders' equity or share price.
- (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares, buys back treasury stock.
- (5) An increase or decrease in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.
- (6) Other terms/conditions that may be changed as stipulated in the contract and have been publicly disclosed.

22. Items that contracts shall record:

When the Company engages in a merger, demerger, acquisition, or transfer of shares, the contract shall record the rights and obligations of the companies participating in the merger, demerger, acquisition, or transfer of shares, and shall also record 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 that is demerged.
- (3) The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share swap ratio, and the principles for handling thereof.
- (4) The manner of handling changes in the number of participating entities or companies.
- (5) Progress scheduled for plan execution 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.

23. Other matters to be noted when the Company participates in a merger, demerger, acquisition, or transfer of shares:

- (1) Those who participate in or know about the merger, demerger, acquisition, or transfer of shares shall be required to issue a written confidentiality commitment. Before the information is

disclosed, the content of the plan shall not be disclosed to any third party, nor may they buy or sell all participating companies' stocks and other equity-based securities in the name of their own or others.

- (2) After public disclosure of the information regarding a merger, demerger, acquisition, or transfer of shares, if the Company intends further to carry out a merger, demerger, acquisition, or transfer of shares with another company, they shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such that another shareholders meeting may be exempted from being called to resolve the matter anew.
- (3) A company involved in a merger, demerger, acquisition or transfer of shares listed or traded in a securities dealer's office shall, within two days of the date of approval by the Board of Directors, report the information in subparagraphs 1 and 2 of the preceding paragraph in the prescribed form on the Internet information system for FSC records.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by Article 20 of the Procedures and provisions of the preceding two paragraphs.

Chapter V Other Important Matters

24. The Company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for at least 5 years unless otherwise provided in law.
25. Appraisal reports, CPA, attorney, and securities underwriter opinions of the Company provided by professional appraisers and their officers, CPAs, attorneys or securities underwriters shall be handled in accordance with Article 5 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
26. The Procedures shall be implemented after they have been approved by the Audit Committee, passed by the Board of Directors, and submitted to the shareholders' meeting for approval. The same shall apply to any amendments hereto.

Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each independent director and each independent director's opinions 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 meeting.

If the said matter in the first paragraph is not approved by a majority of members of the Audit Committee, it may be implemented with the approval of more than two-thirds of all directors, and the resolution of the Audit Committee shall be specified in the minutes of the board meeting.

27. The 1st amendment was made on June 16, 1997.
The 2nd amendment was made on September 18, 1998.
The 3rd amendment was made on November 25, 1999.
The 4th amendment was made on June 9, 2003.
The 5th amendment was made on June 14, 2005.
The 6th amendment was made on June 9, 2006.
The 7th amendment was made on June 13, 2007.
The 8th amendment was made on June 15, 2011.
The 9th amendment was made on June 19, 2012.
The 10th amendment was made on June 19, 2014.
The 11th amendment was made on June 14, 2017.
The 12th amendment was made on June 19, 2019.

The 13th amendment was made on June 10, 2020.
The 14th amendment was made on July 30, 2021.
The 15th amendment was made on June 8, 2022.