

Kwong Fong Industries Corporation
Procedures for the Acquisition or Disposal of Assets

Revised and approved July 1, 2021

Section I Acquisition or disposal of assets

Article 1 Purpose

In order to protect investment and implement information disclosure, the acquisition or disposal of assets by the Company shall be handled in accordance with these procedures.

Article 2 Accordance

These Regulations are adopted in accordance with the provisions of Article 36-1 of the Securities and the provisions of the 96.01.19 (96) Financial Supervisory Commission (hereinafter referred to as the Financial Supervisory Commission) No. 0960001463 Letter, an administrative agency, shall be amended.

Article 3 The term "assets" as used in these Regulations.

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.
8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
9. Other major assets.

Article 4 Asset Acquisition or Disposal Valuation Procedure

1. In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional

appraiser and shall further comply with the following provisions:

- (1). Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
 - (2). Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
 - (3). Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 - A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 - B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
 - (4). No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Except where a limited price, specified price, or special price is employed by a construction enterprise as the reference basis for the transaction price, if an appraisal report cannot be obtained in time and there is a legitimate reason for the delay, the appraisal report shall be obtained within 2 weeks counting inclusively from the date of occurrence, and the certified public accountant's opinion under subparagraph 3 of the preceding paragraph shall be obtained within 2 weeks counting inclusively from the day the appraisal report is obtained.
2. A public company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified

public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

3. Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the company shall 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.
4. The Company's related party transactions and derivatives transactions shall be handled in accordance with the relevant provisions of Sections 2 and 3 of these Procedures.
5. Assets acquired or disposed of through business merger, division, acquisition or share transfer shall be handled in accordance with the relevant provisions of Section 4 of these procedures.
Where a public company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.
6. The calculation of the transaction amounts referred to in the preceding shall be done in accordance with Article 7, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
7. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- (1). May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

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

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

- (1). Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- (2). When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- (3). They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- (4). They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 5 Asset acquisition or disposal procedures

1. Disposition Procedures

- (1). For the acquisition or disposal of assets, the undertaking unit shall evaluate the reasons for the acquisition or disposal, the subject matter, the transaction counterparty, the transfer price, the terms of receipt and payment, and the reference basis of the price, and then submit it to the responsible unit for adjudication, and the management department shall execute it, and the relevant matters shall be handled in accordance with the relevant operating regulations of the Company's internal control system and this handling procedure.
- (2). The execution unit of the Company's securities investment is the investment department, and the execution unit of real estate and other fixed assets is the user department and the relevant rights and responsibilities. Other assets that are not securities investments, real estate and other fixed

assets shall be assessed by the relevant units.

(3). The acquisition or disposal of relevant assets shall be handled in accordance with the relevant provisions of the Company's internal control system.

2. Approval authority: The acquisition or disposal of assets by the Company shall be submitted to the Chairman of the Board for approval.

3. Investment amount:

The Company may purchase immovable property or right-of-use assets or securities not for business use, subject to the following limits:

(1). The total amount of immovable property or assets with the right to use it not for business use shall not exceed one-quarter of the equity of the shareholders of the Company who have been certified by accountants.

(2). The total amount of investment in securities shall not exceed the aggregate of the Company's shareholders' equity and long-term liabilities with the certificate of accountant.

(3). The limit of investment in individual securities shall not exceed 60% of the shareholders' equity of the Company with the certificate of accountant.

(4). The amount of equity invested in subsidiaries is not subject to the restrictions of the first three items.

Where the position of independent director has been created in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting. Where an audit committee has been established in accordance with the provisions of the Act, when the procedures for the acquisition and disposal of assets are adopted or amended they shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.

If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 6 Preservation of data

A public company acquiring or disposing of 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 5 years except where another act provides otherwise.

Article 7 Announcement declaration procedure

Where any of the following circumstances occurs with respect to a transaction the company has already publicly announced and reported in accordance with the preceding article, 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. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or 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. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.
5. Where real property or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million or more.
6. 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 furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
7. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
 - (1). Trading of domestic government bonds.

- (2). Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of 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 redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
- (3). Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above 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 transaction counterparty within the preceding year.
- (3). The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- (4). The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

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 into the information reporting website designated by the FSC by the 10th day of each month.

When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.

Article 8 Time limit for announcement and declaration

Where any of the following circumstances occurs with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, 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 originally publicly announced and reported information.

Article 9 Control procedures for acquisition or disposal of assets by subsidiaries

1. The acquisition or disposal of assets by a subsidiary shall also be handled in accordance with the regulations of the parent company.
2. Information required to be publicly announced and reported in accordance with the provisions of the Article 7 on acquisitions and disposals of assets by a public company's subsidiary that is not itself a public company in Taiwan shall be reported by the parent company.
3. The Company's paid-in capital or total assets shall be used to determine whether the Company subsidiaries mentioned in the previous paragraph shall make a public announcement.

Subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

In the case of a company whose shares have no par value or a par value other than NT\$10-for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

Section II Acquire real estate from related parties

Article 10 When the company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 11 herein.

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 11 When the Company intends to acquire or dispose of real property or its right-of-use assets from or to a related party, or when it intends to acquire or dispose of assets other than real property or its right-of-use assets from or to a related party, and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the following information shall be approved by the audit committee and submitted to the board of directors for approval before signing the transaction contract and making the payment.

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a transaction counterparty.
3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 12 and Article 13.
4. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to the preceding paragraph shall be made in accordance with Article 7, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been submitted to the audit committee for approval by at least one-half of all members of the audit committee in accordance with the provisions of these Procedures and approved by the board of directors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between a public company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued

shares or authorized capital, the company's board of directors may pursuant to Article 5, paragraph 2 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

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

When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

Where an audit committee has been established in accordance with the provisions of the Act, any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The terms "all audit committee members in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 12 When the Company acquires real estate or its right-of-use assets from a related party, it shall take the following steps to evaluate the reasonableness of the transaction cost:

1. Based on the transaction price of the related party plus necessary fund interest, and the cost to be borne by the buyer according to law. The "necessary fund interest cost" shall be imputed based on the weighted average interest rate of the fund borrowed by the Company in the year of purchase of the asset; provided that such interest rate shall not be more than the ceiling of loan interest rate of non-financial industry published by the Ministry of Finance.
2. Based on the total assessed value for loan made by a financial institution if such object has been mortgaged to the financial institution for a loan; provided that the actual aggregate loan extended by the financial institution for the object shall reach 70% or more of the total assessed value and the loan period is more than one year. However, this shall not apply if the financial institution and either party of the transaction are related persons.

Where both the land and building on the property in question are purchased or leased, the cost of the real property may be reached by respectively imputing or evaluating such land and building based on either method described above.

A public company that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

One of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
4. The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 13 When the results of a public company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 18. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1). 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 gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (2). Completed transactions by unrelated parties within the preceding 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 acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

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 the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

Article 14 Where the Company acquires real property or its right-of-use assets from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance against the difference between the real property or its right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company.
Where a public company uses the equity method to account for its investment in another company, shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. Audit Committee shall comply with Article 218 of the Company Act, which is applicable mutatis mutandis to the independent directors.
3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

When the Company sets aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or

they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.

Section III Engaging in Derivatives Trading

Article 15 The Company's handling procedures for engaging in derivatives trading, trading principles and policies

1. Trading Types

Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.

Derivatives are divided into financial operations for the purpose of hedging operations. For the purpose of financial operations, it refers to the establishment of a new position in an asset, liability or investment portfolio with the expectation of benefiting from market fluctuations in the future.

Transactions for the purpose of hedging operations, for the purpose of eliminating or reducing exchange rate or interest rate risks, and not for the purpose of creating profits.

2. Operations and Hedging Strategy

In carrying out its derivative product business, the Company's primary focus is on avoiding operational management risks. However, various transactions can be carried out according to the actual needs of the company.

The so-called hedging or non-trading purpose refers to the use of appropriate financial instruments to avoid market risks according to the company's position.

3. Division of Powers and Responsibilities

Trading staff

Before executing the transaction, the undertaker of the investment position should understand the company's management policies and concepts, be familiar with various financial products and related laws and regulations, extract sufficient market information, and register the execution results on the 'contract sheet' in accordance with the company's trading principles, and send it to the authorized supervisor for approval.

Transaction Confirmation Personnel

Refers to the custodian of the company's seal, which confirms the correctness of the transaction content, such as the transaction amount and transaction conditions, based on the execution results registered by the trader in the 'contract order' and the confirmation form provided by the financial institution.

Delivery personnel

Refers to the fund dispatcher, according to the content of the 'contract order' to complete the 'fund transfer order' registration, sent to the authorized supervisor for approval. At the same time, the fund dispatcher should regularly review the cash flow position and related financial statement information to ensure that the transaction contract can be completed on time.

Accounting Manager

In accordance with the relevant regulations (Financial Accounting Standards Bulletin, etc.), the results of transactions and profits and losses are accurately and appropriately expressed in the financial statements.

The Finance Department shall select financial institutions with better conditions, sign a credit line contract with them after submitting a petition to the general manager and the chairman of the board of directors for approval, and engage in derivatives trading within the quota.

4. Performance Evaluation:

Set a profit and loss target according to the size of the investment position, which must be included in the performance evaluation and reviewed regularly. The contractor strives to achieve the target according to the type of financial products and profit and loss, and uses this as the basis for performance evaluation.

Before the 10th of each month, the undertaker shall provide the investment position evaluation report to the Finance Department and the General Management Office.

5. Contract loss cap amount

For derivatives trading, the total contract amount shall not exceed 40% of the total assets. The maximum amount of loss for all contracts or individual contracts shall not exceed 40% of the total authorized investment amount. The total amount of the contract is equal to the total amount of the transaction minus the total amount of hedging.

6. Operating procedures

According to the actual needs of the company, the trading personnel of the undertaking unit shall propose various transaction contents and hedging strategies after conducting a feasibility assessment, send them to the transaction confirmation personnel for verification, and after the approval of the authorized supervisor, transfer them to the delivery personnel to complete

the delivery work, and finally report the results to the accounting management personnel.

Article 16 The company engaging in derivatives trading shall adopt the following risk management measures:

1. Risk management scope

- (1). Credit risk: The transaction partner is based on the principle of internationally renowned banks with good credit credit.
- (2). Market risk: Focusing on internationally traded financial products, reducing the use of specially designed products.
- (3). Liquidity risk: Choose banks with large trading volume and strong quotation ability.
- (4). Operational risk: Operate in accordance with the transaction processing procedures to avoid operational risks.
- (5). Legal risks: The documents signed with the counterparty are mainly generally used contracts in the market, and any unique contracts must be reviewed by legal counsel or lawyers.

2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.

3. Risk measurement, monitoring, and control personnel shall be assigned to a different department than the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or position decision-making.

4. Derivatives trading positions held shall be evaluated at least once per week; however, positions for hedge trades required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.

Article 17 Where the company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:

1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance.

Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these

Regulations and the procedures for engaging in derivatives trading formulated by the company.

2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.

A company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

Article 18 The company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 16 and subparagraph 2, paragraph 1 and subparagraph 1 of paragraph 2, of Article 17 shall be recorded in detail in the log book.

A public company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, all supervisors shall be notified in writing. Where independent directors have been appointed in accordance with the provisions of the Act, for matters for which notice shall be given to the supervisors under the preceding paragraph, written notice shall also be given to the independent directors.

Section IV Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

Article 19 When the Company conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

When the Company participates in a merger, demerger, acquisition, or transfer of shares, it shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, demerger, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, demerger, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to

approve the merger, demerger, or acquisition, this restriction shall not apply. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.

However, if the Company directly or indirectly merges with a subsidiary company of which it already holds 100% of issued shares or total assets, or if two subsidiaries of which the Company directly or indirectly holds 100% of issued shares or total assets merge, it shall be exempt from seeking a reasonableness opinion from the aforementioned professionals.

Article 20 A company participating in a merger, demerger, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a 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 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer of another company's shares prior to disclosure of the information.
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 convening of a board of directors meeting.
3. Important documents and minutes: Including merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, demerger, acquisition, or transfer of another company's shares, a company that is listed on an exchange or has its shares traded on an OTC market shall, within 2 days counting inclusively from the date of passage of a resolution by the board of directors, report (in the prescribed

format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.

Article 21 The company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
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 shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares from another company, 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 the contract stipulates may be altered and that have been publicly disclosed.

When the Company participates in a merger, division, acquisition or share transfer, the contract shall set out the relevant matters in accordance with the provisions to safeguard the rights and interests of the participating companies.

Article 21-1 The contract for participation by a public company in a merger, demerger, acquisition, or of shares 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 exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule 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.

Article 21-3 After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

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 the provisions of Article 20, Article 20-1, and the preceding article.

Section V Additional Provisions

Article 22 When the Company engages in the acquisition or disposal of assets, it shall handle it in accordance with the prescribed procedures, and if any material violation is found, the manager and the organizer shall be punished, and the Company shall be prosecuted for civil or criminal liability depending on the circumstances caused to the Company's losses.

Article 23 Financial Statement Disclosures

If the Company acquires or disposes of assets that meet the standards for reporting that should be announced as stipulated in Article 7 of these Procedures, and the transaction partner is a substantive interested party, the contents of the announcement shall be disclosed in the notes to the financial

statements and reported to the shareholders' meeting.

Article 24 After this procedure is approved by the Audit Committee, and then passed by the resolution of the Board of Directors and submitted to the shareholders' meeting for approval, the same applies when amended. If there is a dissenting opinion from the directors and there is a record or written statement, the company shall also send the dissenting information of the directors to the Audit Committee. When the Company submits the procedures for the disposal of acquired or disposed of assets to the Board of Directors for discussion in accordance with the provisions of the preceding paragraph, the opinions of each independent director shall be fully considered, and the opinions and reasons for their agreement or disagreement shall be included in the minutes of the meeting.