

Procedures for Financial Derivatives

1. Purpose:

In order to protect investment, implement information disclosure, and strengthen the establishment of a risk management system for derivatives transactions, these procedures are specially formulated.

2. Scope:

Currently, the scope of derivatives operations that our company can engage in is mainly hedging transactions. The main types of transactions include forward contracts, options, and composite contracts composed of the above commodities. If you want to engage in transactions in other commodities, you must first obtain approval from the board of directors and revise this procedure before doing so.

3. Definition:

3.1 Derivative commodities:

Refers to forward contracts, option contracts, futures contracts, leverage margin contracts, whose values are derived from specific interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indexes, credit ratings or credit indexes, or other variables. Exchange contracts, combinations of the above contracts, or combined contracts or structured commodities embedded in derivatives, etc. The so-called forward contract does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term purchase (sales) contracts.

3.2 Hedging transactions:

This includes derivatives transactions conducted to avoid the risk of exchange rate changes in foreign currency assets and liabilities.

3.3 Financial transactions:

Derivative commodity transactions that are not the above-mentioned hedging transactions and whose purpose is to earn the price difference of commodity transactions are included in this category.

4. Reference documents:

The Financial Supervisory Commission of the Executive Yuan promulgated the guidelines for the handling of assets acquired or disposed of by publicly listed companies.

5. Rights and Responsibilities:

5.1 Financial unit:

5.1.1 In accordance with the provisions of this procedure, collect market information, judge trends and risks, be familiar with financial products, relevant laws and operating techniques, in order to provide sufficient and timely information to management, and work within the authorized quota in accordance with company policies and instructions trade.

5.1.2 Responsible for related accounting processing.

5.1.3 Responsible for announcing and reporting the company's derivatives transactions in accordance with regulations before the tenth day of each month.

5.2 Accounting unit:

5.2.1 Evaluate realized and unrealized exchange gains and losses from derivatives transactions on a monthly basis.

5.3 Audit unit:

Responsible for understanding the adequacy of internal controls for derivatives trading, checking the trading department's compliance with operating procedures, analyzing the trading cycle, and preparing audit reports.

6. Flowchart:

(not applicable)

7. Procedure/Method:

7.1 Trading Principles and Policies

7.1.1 Transaction types:

The scope of derivatives operations that our company can engage in is mainly hedging transactions. The main types of transactions include forward contracts, options and composite contracts composed of the above commodities. If you want to engage in trading in other commodities, you must first obtain approval from the board of directors and revise this procedure before doing so.

7.1.2 Business and risk hedging strategies:

The purpose of engaging in derivative commodity transactions is to avoid risks, and on the principle that the foreign currency assets and liabilities generated by the company's business as a whole are self-levelling, so as to reduce the company's overall foreign exchange risk. The selected trading products should be able to avoid the risks of the company's business operations. The risks generated are the main ones. In addition, transaction partners should only choose financial institutions that have regular business dealings with the company or are internationally renowned to avoid credit risks.

7.1.3 Performance evaluation:

Profit and loss will be recognized using the monthly settlement evaluation method, and the risk hedging operation strategy will be reviewed and adjusted at any time based on the size of the positions held.

7.1.4 Total contract amount:

7.1.4.1 Hedging transactions:

The forward contracts and options that the company can engage in transactions are capped at the net position of the foreign currency assets and liabilities generated by the business each month (including the net position expected to be generated in the future). The net cumulative position of forward contracts and options transactions is The amount shall not exceed USD 50 million.

7.1.4.2 Financial transactions:

The company shall not undertake financial transactions.

7.1.5 Individual contract loss upper limit:

7.1.5.1 Hedging transactions:

The upper limit of individual contract losses for hedging transactions is 5% of the contract amount; if the upper limit of individual contract losses has been reached, the financial unit should summon relevant personnel at any time to respond.

7.1.5.2 Financial transactions:

The company shall not undertake financial transactions.

7.2 Operating procedures:

7.2.1 Authorization amount and authority:

Based on the growth of the company's turnover and changes in risk positions, the company sets the authorization limit as follows:

Authorized Unit Daily Transaction Authorization Amount

General Manager US\$2 million and above

Finance department level supervisor US\$2 million (inclusive) or less

Financial unit manager US\$1 million (inclusive) or less

7.2.2 Execution units and procedures:

When the company engages in derivative financial product transactions, the financial unit is responsible for the transaction and management work. Personnel involved in transactions, confirmation and delivery, etc. are not allowed to hold concurrent posts for each other.

7.3 Announcement application procedures:

On a monthly basis, the relevant contents of the derivatives transactions of the company and its subsidiaries as of the end of last month shall be announced and reported before the tenth of each month together with the monthly operating conditions in accordance with the regulations of the Securities Exchange Commission.

7.4 Accounting treatment method:

The Company's accounting unit shall comply with the Commercial Accounting Law, International Financial Reporting Standards and letters and orders from relevant competent authorities; if there are no relevant regulations, detailed accounting shall be made and the realized and unrealized profit and loss statements shall be calculated on a monthly basis.

7.5 Risk management measures:

7.5.1 Consideration of credit risk: The principle is that the transaction parties must deal with companies or internationally renowned financial institutions and be able to provide professional information or consultation.

7.5.2 Consideration of market risk: limited to open foreign exchange transactions between banks.

7.5.3 Liquidity considerations: In order to ensure liquidity, the trading bank must have sufficient equipment, information and trading capabilities.

7.5.4 Operational considerations: Authorized quotas and operational procedures must be strictly followed.

7.5.5 Legal considerations: Documents signed with the bank must be reviewed by the legal department before they can be officially signed.

7.6 Internal audit system

7.6.1 The internal audit unit should regularly understand the adequacy of the internal control of derivatives trading, audit the trading unit's compliance with this procedure on a monthly basis, and prepare an audit report.

7.6.2 If the internal audit unit discovers major irregularities in transaction procedures, it shall notify all members of the audit committee in writing.

7.7 Regular assessment methods and abnormal situation handling:

7.7.1 The board of directors shall designate senior executives to pay attention to the supervision and control of derivatives trading risks at all times, and regularly evaluate whether the current performance of derivatives trading is in line with the established business strategy and whether the risks are within the company's tolerable range. The market price If there is an abnormality in the evaluation report (such as the position held exceeds the loss limit), it should be reported to the board of directors immediately and necessary countermeasures should be taken.

7.7.2 The positions held in derivatives transactions should be evaluated at least once a week. However, if the business requires hedging transactions, the positions should be evaluated at least twice a month, and the evaluation report should be submitted to the senior executive authorized by the board of directors.

7.7.3 The "Processing Procedures for Engaging in Derivatives Transactions" stipulated by the company and authorizing relevant personnel to handle the matter shall be reported to the latest board of directors afterwards.

7.7.4 When the company engages in derivatives transactions, it should establish a reference book and publish the details in the reference book for future reference regarding the type, amount, date of approval by the board of directors, and matters that should be carefully evaluated.

7.8 Other matters

7.8.1 This procedure shall be approved by more than half of all members of the audit committee, passed by the board of directors, and then submitted to the shareholders' meeting for approval. If any director expresses objections and has a record or written statement, the company shall report his objections. It shall also be submitted to the Audit Committee and the Shareholders' Meeting for discussion, and the same applies to revisions.

If the preceding paragraph is not carried out without the consent of more than half of all members of the audit committee, it may be implemented with the consent of more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

7.8.2 When this procedure is submitted to the board of directors for discussion, the opinions of each independent director should be fully considered. If the independent directors have any objections or reservations, they should be stated in the minutes of the board meeting.

8. Related documents:

8.1 Documentation:

(not applicable)

8.2 Form:

8.2.1 Foreign exchange transaction contract

8.2.2 Option transaction details list

8.3 Records and others:

(not applicable)