1. Purpose

1.1 These Procedures are established to implement a comprehensive risk management and internal control framework for derivatives transactions, thereby ensuring proper information disclosure and safeguarding the interests of investors.

1.2 These Procedures are adopted pursuant to the requirements of the letter issued by the Securities and Futures Commission of the Ministry of Finance ("SFC"), Ref. No. Tai-Tsai-Cheng (I) No. 0910006105, dated December 10, 2002.

2. Trading Principles and Policies

2.1 Scope of Permitted Transactions: The Company may engage in derivatives transactions, including forward contracts, option contracts, futures contracts, leveraged margin contracts, swap contracts, combinations of the foregoing instruments, hybrid contracts containing embedded derivatives, and structured products whose value is derived from specified interest rates, prices of financial instruments, commodity prices, exchange rates, price or rate indices, credit ratings, credit indices, or other underlying variables. For purposes of these Procedures, "forward contracts" shall exclude insurance contracts, performance contracts, after-sales service agreements, long-term lease agreements, and long-term purchase or sales agreements.

2.2 Business and Hedging Policy: The Company's earnings shall be generated through its ordinary business operations. Accordingly, any foreign exchange transactions involving the foregoing derivatives shall be undertaken exclusively for the purpose of hedging foreign exchange risks arising from the Company's operating activities. The Company shall not engage in speculative trading of any kind, and all foreign currency positions maintained shall correspond to the Company's actual foreign currency requirements arising from its import and export activities.

2.3 Allocation of Responsibilities

2.3.1 The Finance Department shall be responsible for formulating and administering the Company's overall foreign exchange trading strategy.

2.3.2 Based on the Company's operating revenue, import and export volume, foreign currency position reports, and schedules of outstanding letters of credit, the Finance Department shall determine the Company's foreign exchange exposure, establish the minimum hedging requirement for each trading period (whether monthly or quarterly), formulate the corresponding trading strategy, and submit such strategy to the General Manager and the Chairperson for approval prior to execution.

2.4 Performance Evaluation

2.4.1 Trading performance shall be evaluated based on the gains or losses generated from derivatives transactions relative to the Company's book foreign exchange costs.

2.4.2 To ensure effective monitoring and reporting of the valuation risks associated with outstanding derivatives transactions, the Finance Department shall perform weekly mark-to-market valuations and performance reviews. A monthly report shall be submitted to the Chairperson and the General Manager to facilitate periodic review and refinement of the Company's hedging strategy.

2.5 Aggregate Contract Limits

2.5.1 Hedging Transactions

2.5.2 The aggregate notional amount of forward foreign exchange contracts entered into for hedging purposes shall not exceed the Company's actual foreign currency requirements arising from its import and export operations.

2.5.3 Specific Purpose Transactions: Where market conditions warrant, the Finance Department may formulate exchange rate or interest rate hedging plans based on its market forecasts. Such transactions shall not be executed unless and until they have been approved by the General Manager and the Chairperson.

2.6 Maximum Loss Limits

2.6.1 The maximum permissible loss on all outstanding derivatives contracts in the aggregate shall not exceed five percent of the aggregate contractual amount, while the maximum permissible loss on any individual derivatives contract shall not exceed ten percent of the contractual amount of such contract.

2.6.2 For derivatives transactions undertaken for specific purposes, if either the aggregate loss or the loss on any individual contract exceeds five percent of the relevant transaction amount, the appropriate members of management shall immediately convene to determine and implement appropriate responsive measures.

3. Operating Procedures

3.1 Authorization Limits and Approval Authority: With respect to derivatives transactions undertaken by the Company, forward foreign exchange contracts executed solely for hedging purposes with a contract amount of US$2,000,000 or less (inclusive) shall require the approval of the Chairperson. All other derivatives transactions, irrespective of the contract amount, shall require prior approval by the Board of Directors.

3.2 Responsible Executing Unit

3.2.1 In view of the rapidly evolving nature of derivatives products, the complexity of their associated risks and profit and loss calculations, and their direct impact on the Company's cash receipts and disbursements, derivatives transactions shall ordinarily be executed by personnel of the Finance Department. This requirement shall not apply where non-finance personnel have been specifically authorized by the Board of Directors to engage in derivatives transactions.

3.2.2 Where the Company authorizes designated personnel to conduct derivatives transactions in accordance with these Procedures, such transactions shall subsequently be reported to the Board of Directors.

4. Public Disclosure and Regulatory Reporting: Upon execution of a derivatives transaction and confirmation by the designated transaction confirmation personnel, the Company shall make all required public disclosures and regulatory filings in accordance with applicable laws and regulations. The Company shall also, on or before the tenth day of each month, submit through the information reporting website designated by the Securities and Futures Commission, in the prescribed format, information regarding the derivatives transactions undertaken by the Company and its subsidiaries that are not domestic public companies as of the end of the preceding month.

5. Accounting Treatment

5.1 The accounting treatment for derivatives transactions undertaken by the Company shall comply with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, applicable Interpretations and Interpretation Bulletins recognized by the Financial Supervisory Commission, and all other applicable laws and regulations. The Company shall maintain complete accounting books, supporting documentation, and accounting records so as to accurately reflect the execution of the transactions and the resulting gains and losses.

5.2 The Company shall establish and maintain a derivatives transaction register recording, in reasonable detail, the type of derivatives transaction, transaction amount, date of approval by the Board of Directors, and all matters required to be prudently evaluated under applicable regulations.

6. Internal Controls

6.1 Internal Control over Operating Procedures

6.1.1 Personnel responsible for executing derivatives transactions shall be segregated from personnel responsible for transaction confirmation, settlement, and other related processing functions. No individual shall concurrently perform both functions.

6.1.2 Personnel responsible for the measurement, monitoring, and control of risks shall belong to organizational units independent of those specified in the preceding Section and shall report directly to the Board of Directors or to senior management personnel who have no responsibility for trading activities or position-taking decisions.

6.1.3 Trading personnel shall submit each Foreign Exchange Transaction Order to the designated transaction confirmation personnel for recording.

6.1.4 Transaction confirmation personnel shall periodically reconcile transaction details and aggregate transaction amounts with the relevant counterparties to ensure the accuracy of transaction records.

6.1.5 Trading personnel shall continuously monitor outstanding transaction amounts to ensure that the aggregate contractual amount remains within the limits prescribed by these Procedures.

6.1.6 Designated recording personnel shall maintain complete transaction records and promptly circulate transaction reports to the Chairperson, the General Manager, the heads of the Finance and Accounting Departments, and the Internal Audit function for review.

6.1.7 All open derivatives positions shall be evaluated at least once each week. Notwithstanding the foregoing, derivatives positions arising from hedging transactions conducted for business purposes shall be evaluated no fewer than twice each month. The resulting valuation reports shall be submitted to the senior management personnel designated and authorized by the Board of Directors.

6.1.8 The Board of Directors shall designate and authorize appropriate senior management personnel to exercise ongoing oversight and control over the risks associated with the Company's derivatives transactions.

6.2 Risk Management Measures

6.2.1 Credit Risk Management

6.2.1.1 The Company shall enter into derivatives transactions only with domestic or foreign financial institutions as counterparties.

6.2.1.2 The aggregate transaction amount with any single financial institution shall not exceed NT$5,000,000, unless otherwise approved by the General Manager or the Chairperson.

6.2.2 Market Risk Management: The Company shall conduct derivatives transactions primarily in the open foreign exchange market between financial institutions and their customers in order to appropriately manage market risk.

6.2.3 Liquidity Risk Management: To ensure adequate market liquidity, the Company shall give preference to highly liquid financial products that may be readily closed out in the market. Counterparties shall possess sufficient market information and the capability to execute transactions in any relevant market on a timely basis.

6.2.4 Operational Risk Management: The Company shall strictly comply with its prescribed authorization limits. Operating procedures shall be subject to the Company's internal audit system to mitigate operational risks.

6.2.5 Legal Risk Management: All agreements and other documents to be executed with counterparties shall be reviewed by qualified professionals prior to execution to minimize legal risk.

6.3 Periodic Evaluation and Handling of Exceptional Circumstances

6.3.1 When the Company engages in derivatives transactions, the Board of Directors shall exercise ongoing supervision and management in accordance with the following principles:

6.3.1.1 The senior management personnel designated by the Board shall continuously monitor and control the risks associated with derivatives transactions.

6.3.1.2 The Board shall periodically evaluate whether the performance of derivatives transactions is consistent with the Company's established business strategy and whether the level of risk assumed remains within the Company's approved risk tolerance.

6.3.2 Senior management personnel authorized by the Board of Directors shall administer derivatives transactions in accordance with the following principles:

6.3.2.1 They shall periodically review the adequacy of the Company's existing risk management measures and ensure that all derivatives transactions are conducted in compliance with these Procedures and applicable regulations.

6.3.2.2 They shall oversee trading activities and profit and loss performance. Upon identifying any material abnormality, they shall promptly implement appropriate corrective measures and immediately report the matter to the Board of Directors. Where the Company has appointed independent directors, such matters shall be considered at a Board meeting attended by the independent directors, who shall express their opinions.

6.3.3 Any derivatives transactions undertaken pursuant to authority delegated by the Board of Directors under these Procedures shall be reported to the next meeting of the Board of Directors.

7. Internal Audit

7.1 The internal audit personnel shall periodically review the adequacy and effectiveness of the Company's internal controls over derivatives transactions. In addition, they shall conduct monthly audits of the trading department's compliance with these Procedures for Derivatives Transactions, analyze the transaction cycle, and prepare written audit reports documenting their findings.

7.2 If any material violation is discovered, the internal audit personnel shall promptly notify the Audit Committee in writing, and the Company shall impose appropriate disciplinary action upon the responsible personnel in accordance with the nature and severity of the violation.

7.3 No later than the end of February of the following year, the Company shall submit to the Securities and Futures Commission the audit report referred to in the preceding Section together with the status of implementation of its annual internal audit plan. No later than the end of May of the following year, the Company shall further report to the Securities and Futures Commission, for recordation, the status of corrective actions taken with respect to any identified deficiencies or irregularities.

8. Financial Statement Disclosures: When the Company engages in derivatives transactions, it shall disclose the relevant information in the notes to its periodic financial statements, including its annual, semi-annual, quarterly, and consolidated financial reports, in accordance with applicable laws and regulations.

9. Other Matters: These Procedures shall take effect upon approval by the Board of Directors and shall thereafter be submitted to the shareholders' meeting for reporting. Any amendment to these Procedures shall be subject to the same procedure.