

LOTUS PHARMACEUTICAL CO., LTD
PROCEDURES FOR ACQUISITION OR DISPOSAL OF ASSETS
[English translation for reference only]

June 16, 2026

Section 1 Acquisition or Disposal of Assets

Article 1 This procedure has been stipulated for the purpose of safeguarding assets and achieving data transparency.

This Company's acquisition or disposal of assets should be made in accordance with the following Procedures. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

- Article 2**
1. The scope of "Assets":
 - I. Long/short term security investments (including stocks, bonds, corporate bonds, bank indentures, fund securities, depository receipts, warrants, beneficiary securities, asset-based securities, etc.);
 - II. Real estate (including lands, plants and buildings, and investment property), and equipment;
 - III. Membership;
 - IV. Patent, copyright, trademark, charter right, any intangible assets, etc.;
 - V. Derivatives products;
 - VI. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables);
 - VII. Assets that are acquired or disposed through merger, spin-off, acquisition or share transfer;
 - VIII. Right-of-use assets;
 - IX. Other major assets.
 2. "Date of the Event" used herein should mean, in principle, the contracting day, the payment day, the transaction day, the title transferring day, the day of board resolution or other date when the transaction party and the transaction amount can be ascertained (whichever is earlier); for investments required to be approved by government authority, the Date of the Event will be any of the above-mentioned dates or the date on which the approval letter of government authority is received, whichever is earlier.
 3. "Professional Appraiser" used herein should mean any appraisers/appraisal institutions specialized in real estate or other lawful appraisers/appraisal institutions of real estate and equipment.
 4. "Related Parties" and "Subsidiaries" used herein should mean the companies meeting with the definition stipulated in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 5. "Latest Financial Statements" used herein should mean the financial statements of this Company audited or examined by certified public accountant which has been published in accordance with applicable regulation before the subject acquisition or disposal of assets.
 6. "Mainland China area investment" used herein should refer to investments in the mainland China area in accordance with the provisions of the Regulations Governing

Permission for Investment or Technical Cooperation in the Mainland Area stipulated by the Investment Commission of the Ministry of Economic Affairs.

7. "Stock Exchange" used herein should refer to domestic Stock Exchange, it is referred to Taiwan Stock Exchange; for foreign Stock Exchange, it is referred to any stock exchange market which is operated by the juridical organization and administrated and supervised by the local securities authority.
8. "Over the Counter" used herein should refer to domestic Over the Counter, it is referred to the place in which the securities are traded over the counter specially provided by securities firms in accordance with Regulations Governing Securities Trading on the Taipei Exchange; For foreign Over the Counter, it is referred to the operation places of the financial institutions which are qualified to operate securities business and administrated and supervised by the foreign competent securities authority.

The term "10% of the company's total asset" used herein shall be calculated based on the total asset stated in the most recent standalone financial report prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Any unspecified terms in the Procedures shall be subject to the "Regulations Governing Acquisition or Disposal of Assets by Public Companies" announced by the regulatory authority.

Article 3 Evaluation procedures:

1. The ways to determine the price:
 - I. The price of the securities acquired or disposed through the Centralized Trading Market or Taipei Exchange of the Republic of China shall be priced based on the trading price at that time.
 - II. The price of the securities not acquired or disposed through the Centralized Trading Market or Taipei Exchange, the prices shall be determined with consideration of the net worth per share, profitability, potential of future development and with reference to the trading prices at that time; or to be determined with consideration of the interest rate prevalent in the market, interest rate on face of the bonds as well as the debtors' creditability.
 - III. The prices of real estate acquired or disposed shall be determined based on the current official land prices, the values appraised and the most recent transaction price of the real estate nearby.
 - IV. The prices of equipment acquired or disposed shall be determined through any manner among price inquiry, price parity, price negotiations, or bidding.
 - V. The prices of memberships acquired or disposed shall be determined through either manner of price parity or price negotiations.
 - VI. The prices of intangible assets acquired or disposed shall be determined in accordance with the related laws and regulations and contract(s).
 - VII. The prices of derivatives acquired or disposed shall be determined through the manner as set forth in Section 3 in the Procedures.
 - VIII. The prices of assets acquired or disposed through mergers, spin-off, acquisitions, or transfer of shares shall be determined through the manner as set forth in Section 4 in the Procedures.

2. Basis for pricing reference:

- I. Long/short term security investments: the Company shall, prior to the date of the event, obtain financial statements of the issuing company for the most recent period that was certified or reviewed by a certified public accountant as a reference for appraising the transaction price. If the transaction price reaches 20% of the Company's paid-in capital or exceeds NT\$300 million, the Company shall engage a certified public accountant prior to the date of the event to provide an opinion on the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that are traded in a liquid market, or where otherwise provided by regulations of the securities regulatory authorities.
- II. Real estate, equipment or right-of-use assets: unless dealing with a domestic government agency, engaging others to build on its own land, engaging others to build on a rental land, or acquiring or disposing any equipment or right-of-use assets for operating use, the Company shall obtain an appraisal report prior to the date of the event from a professional appraiser and further comply with the following provisions if the transaction price reaches 20% of the Company's paid-in capital or exceeds NT\$300 million:
 - i. Where due to special circumstances it is necessary to set a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted to the Board of Directors for approval in advance. The same procedure shall also be applied if any further changes to the terms and conditions of the transaction;
 - ii. Where the transaction price exceeds NT\$1 billion, appraisal reports from two or more professional appraisers are required;
 - iii. 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 price, or all the appraisal results for the assets to be disposed of are lower than the transaction price, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction price is 20% or more of the transaction price; or
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction price.
 - iv. The period between the issue date of appraisal report and the date of contract execution shall not be more than three (3) months, provided where the publicly announced current value for the same period is used within six months period, an opinion may be issued by the original professional appraiser.
- III. Memberships or intangible assets or right-of-use assets: unless dealing with a domestic government agency, the Company shall engage a certified public accountant prior to the date of the event to render an opinion on the reasonableness of the transaction price if the transaction price reaches 20% of the Company's paid-in capital or exceeds NT\$300 million.
- IV. Derivatives: the transaction shall be duly handled in accordance with the procedures as set forth in Section 3.

- V. Assets that are acquired or disposed through merger, spin-off, acquisition or share transfer: the transaction shall be duly handled in accordance with the procedures as set forth in Section 4.
3. Professional appraisers and their officers, certified public accounts, attorneys, and underwriters who provide appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions meet the following requirements:
- I. Shall not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Law of the Republic of China, the Banking Act, 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.
 - II. Shall not be a related party or de facto related party of any party to the transaction.
 - III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers shall 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 code of conducts of the commercial associations to which it belongs and the followings:
- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
 - II. When executing 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.
 - III. They shall undertake an item-by-item evaluation of the comprehensiveness, 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.
 - IV. 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.
4. Where the Company acquires or disposes assets through the court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or certified public accountant's opinion.

Article 4 Operational procedures:

1. The acquisition or disposal of the Company's assets shall be handled in accordance with the following limits and procedures:
- I. Other than investment in the mainland area, derivatives trading, and assets that are acquired or disposed through merger, spin-off, acquisition or share transfer, the acquisition or disposal of assets specified in Article 2 Paragraph 1 with transaction price of less than 20% of the Company's paid-in capital or NT\$300 million shall be duly handled in accordance with the Company's internal Delegation of Duty and

Authority. Any transaction of transaction value more than 20% of the Company's paid-in capital or NT\$300 million shall be reviewed and approved by the Board of Directors.

II. The amount of transactions shall be calculated as follows:

- i. The amount of each transaction.
- ii. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.
- iii. The cumulative transaction amount of real estate or right-of-use assets acquisitions and disposals (cumulative acquisitions and disposals, respectively) for the same development project within one year.
- iv. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

The term “within one year” refers to one year preceding the Date of Event of the current transaction. Items that have been previously approved by the Board need not be counted toward the transaction amount.

III. The acquisition or disposal of derivatives: it shall be duly handled in accordance with the procedures as set forth in Section 3.

IV. that are acquired or disposed through merger, spin-off, acquisition or share transfer: it shall be duly handled in accordance with the procedures as set forth in Section 4.

V. The limits of amounts for the Company and each Subsidiary acquiring non-operating real estate and right-of-use assets or securities:

- i. The acquisition of real estate and right-of-use assets for non-operating purpose should not exceed 50% of the Company's net worth.
- ii. The total amount of all long/short term security investments should not exceed 200% of the Company's net worth.
- iii. The amount of investment in each respective security should not exceed 100% of the Company's net worth.
- iv. This requirement does not apply to investment in security of subsidiary in which the Company directly or indirectly owns more than 50%.

2. Responsible Departments are as follows:

- I. Long/short term securities investment: Finance Department.
- II. Real estate and equipment or right-of-use assets: user department and other related departments.
- III. Membership and intangible assets or right-of-use assets: user department and other related departments.
- IV. Derivatives: to be assessed and executed by the Finance Department
- V. Assets acquired or disposed through merger, spin-off, acquisition, or transfer of shares, and other material assets: the responsible person appointed by the chairman or the Project Team established shall take the responsibility for assessment and execution.

3. When a matter is submitted for discussion by the Board pursuant to the preceding paragraph, the Board 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 meeting.

4. Material asset or derivatives products transactions shall be approved by a majority of the Audit and Risk Committee in accordance with relevant regulations and be approved by the Board.
5. The contracts, memorandum, appraisal reports, and opinions of certified public accounts, lawyers or securities underwriters in connection with the Company's acquisition or disposal of assets shall, except as otherwise specified by relevant laws, be kept in the Company for at least five years.

Article 5 Public Announcement and Declaration:

1. Under any of the following circumstances, the Company shall publicly announce and report in accordance with relevant regulations in the appropriate format as prescribed by the regulations within two days from the date of the event:
 - I. Acquisition or disposal of real estate or right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or right-of-use assets from or to a related party where the transaction price exceeds 20% of the Company's paid-in capital, 10% of the Company's total assets, or NT\$300 million, provided that this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds;
 - II. Merger, spin-off, acquisition, or transfer of shares;
 - III. Losses from derivative trading reach the limits on aggregate losses or losses on individual contracts set out in the Procedures;
 - IV. Where the asset acquired or disposed is equipment for business use or rights-of-use for such equipment, and the trading counterparty is not a related party:
 - i. For the Company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more;
 - ii. For the Company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
 - V. Where land is acquired under an arrangement on engaging third parties to build on the Company's own land, engaging third parties to build on rental land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale and where the transaction counterparty is not a related party;
 - VI. Where an asset transaction other than any of those referred to in the preceding five items or investment in the mainland area, the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million, provided that this shall not apply to the following circumstances:
 - i. Trading of domestic government bonds or foreign government bond with a credit rating not lower than the sovereign rating of Taiwan R.O.C;
 - ii. Trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds;
 - VII. The amount of transactions shall be calculated as follows:
 - i. The amount of each transaction.
 - ii. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.
 - iii. The cumulative transaction amount of real estate or right-of-use assets acquisitions and disposals (cumulative acquisitions and disposals, respectively) for the same development project within one year.

- iv. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

The term “within one year” refers to one year preceding the Date of Event of the current transaction. Items that have been previously publicly announced need not be counted toward the transaction amount.

- 2. In the event that a public announcement made by the Company is found insufficient or erroneous which calls for correction, the Company shall redo the entire announcement publicly within 2 days immediately from the date of the notice.
- 3. Should any of the following conditions occur after the filing and public announcement of transactions, the Company needs to file and make public announcement accordingly within two days commencing immediately from the date of the event:
 - I. Amendment, termination or cancellation of the original agreement;
 - II. Merger, spin-off, acquisition or share transfer not completed as scheduled in the agreement;
 - III. Change to the originally publicly announced and reported information.

Article 6 The Company’s subsidiaries shall follow the following procedures when acquiring or disposing an asset:

- 1. The Company’s subsidiaries shall establish its own procedures for acquisition or disposal of assets in compliance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”. Such procedures shall be discussed and approved by subsidiaries’ board of directors and shareholders. The same shall apply if any further amendment is made. The Company’s subsidiaries shall upon completion of the adoption or modification of its “Procedures for the Acquisition or Disposal of Assets,” provide the procedures to the Company.
- 2. This procedure shall be applicable to the Company’s subsidiaries if a subsidiary has not established its own procedures for acquisition or disposal of assets. The guidance related to transaction price shall be calculated based on the paid-in capital, total assets or net worth of the subsidiary.
- 3. If the acquisition or disposal of assets by the Company’s subsidiaries reaches the reporting standard specified in Article 5 of the Procedures and such subsidiaries are not domestic public companies, the Company shall publish and report for such subsidiaries.
- 4. Where a subsidiary in the preceding paragraph is subject to the requirements of 20% of the paid-in capital or 10% of the total assets for public announcement and declaration specified in Article 5 of the Procedures, it shall refer to the Company’s

Section 2 Related Party Transactions

Article 7 When the Company engages in any acquisition or disposal of assets from or to a related party, the Company shall conduct in compliance with preceding procedures and the “Regulations Governing the Acquisitions and Disposal of Assets by Public Companies” by the competent authorities.

- 1. Acquisition or disposal of assets by the Company from or to a related party shall comply with Article 4 of the Procedures. The Company shall also obtain an appraisal report from a professional appraiser or an opinion from a certified public account in accordance with Article 3 of the Procedures if the transaction price exceeds 10% of the Company’s total assets.

2. When the Company intends to acquire or dispose real estate or right-of-use assets from or to a related party, or when the Company intends to acquire or dispose assets or right-of-use assets other than real estate from or to a related party and the transaction price exceeds 20% of the Company's paid-in capital, 10% of the Company's total assets, or NT\$ 300 million, with the exception of trading of domestic government bonds or bonds under repurchase or resale agreements, or subscription or redemption of domestic money market funds, the following information shall be, after being discussed and approved by a majority of Audit and Risk Committee, submitted to Board of Directors for approval, before entering into a transaction contract or executing a payment:
 - I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets;
 - II. The reason for choosing the related party as a trading counterparty;
 - III. With respect to the acquisition of real property or right-of-use assets from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with relevant regulations and rules;
 - IV. The date and price, original trading counterparty and the relationship of the said trading counterparty's with this Company and the related party regarding the original acquisition of the real property;
 - V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing the contract, and evaluation of the necessity of the transaction, and the reasonableness of the funds utilization;
 - VI. An appraisal report from a professional appraiser or an opinion from a certified public accountant obtained in compliance with the provisions of the preceding paragraph; and
 - VII. Restrictive covenants and other important stipulations associated with the transaction.

When a matter is submitted for discussion by the Board, the Board shall take into full consideration of 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 meeting.

3. When the Company or its subsidiary that is not a domestic public offering company intends to engage the transaction as mentioned in paragraph 2, and the transaction amount is more than 10% of the total assets of the Company, the Company shall submit the information listed in paragraph 1 to the Shareholders' Meeting for approval before entering a transaction contract or executing a payment. Transaction between the Company and its parent company or subsidiaries, or between its subsidiaries is not subject to this restriction.
4. The calculation of the transaction price referred to in paragraph 2 and the preceding paragraph shall be made in accordance with Article 5 Paragraph 1 Item 7, and within the preceding year as used herein refers to the year preceding the date of the event; items which have been approved by the Audit and Risk Committee, the Board of Directors and the Shareholders' Meeting shall not be counted in the transaction price again.
5. Regarding 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

Board of Directors may authorize the Chairman to decide the transaction if the transaction price is within NT\$300 million; the transaction shall be subsequently submitted to and ratified in the next Board of Directors meeting:

- I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
 - II. Acquisition or disposal of real property right-of-use assets held for business use.
6. When the Company obtains real estate property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs and the handling requirements when the result of appraisal is lower than the transaction price, in compliance with the “Regulations Governing the Acquisitions and Disposal of Assets by Public Companies”.

Section 3 Derivatives Trading

Article 8 The Company shall, when engaging in derivatives trading, comply with Section 1 and this Section by conducting the relevant procedures and assessing reasonableness of the terms of transaction.

Article 9 Principles and guidelines for the transaction:

- 1. Transaction types:
 - I. Derivatives traded by the Company shall refer to transaction contracts whose values are derived from the 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 rates, indexes 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. (such as forward contracts, options, futures, exchanges, and compound contracts arising from a combination of the products listed above)
 - II. When the Company engages in the trade of bond deposits, the transaction shall be conducted in accordance with the Procedures.
- 2. Operating and hedging strategies: derivatives trading of the Company shall be conducted for the purposes of risk hedging, where selection of derivatives traded shall be those that minimize the risks generated by the Company's business operations, where the currency held shall be consistent with actual foreign currencies needed for actual imports and exports of the Company in order to reduce the Company's overall foreign exchange risks and operating expenses.
- 3. Segregation of duties:
 - I. Finance and Accounting Department:
 - i. Trader:
 - 1. Being responsible for formulating the overall financial product trading strategy for the Company;
 - 2. Traders shall, on a regular basis, every two weeks, calculate trading positions, collect market data, determine market trends and carry out risk analysis, and formulate operating strategies. These evaluations shall be approved in compliance with the Company's internal Delegation of Duty and Authority and be used as a basis for trading;

3. Conducting derivatives trading in compliance with the Company's internal Delegation of Duty and Authority and establishing strategies;
 4. When the financial market is undergoing major changes and the set strategies are considered no longer applicable to the situation as judged by the trader, the trader may, at any time, submit an evaluation report and reformulate trading strategies. The new evaluation report shall be approved in compliance with the Company's internal Delegation of Duty and Authority and be used as a basis for trading.
- ii. Accountant:
1. Verifying the transactions;
 2. Reviewing the transactions for compliance with the authorized restrictions and established strategies;
 3. Conducting monthly evaluations. Evaluation reports shall be submitted to the responsible supervisors;
 4. Accounting and bookkeeping;
 5. Declaring items and establishing regulations according to the laws of the securities regulatory authorities.
- iii. Settlement personnel: conducting settlement of the derivatives trading.
- II. Internal Auditor: regularly evaluating whether the derivatives trading is conducted in compliance with the defined procedures and the risks is bearable to the Company.
4. Approval authorization and limits for derivatives trading:
- I. Single transaction that exceeds US\$1 million, or cumulative net positions that exceed US\$1.5 million, shall be submitted to the Board of Directors for approval before commencing the transaction. Other transactions may be conducted in accordance with the Company's internal Delegation of Duty and Authority.
 - II. Transactions for other specified purposes or non-hedge trades shall be approved by the Board of Directors before commencing with the transaction, regardless of the amount involved.
5. Total amount of derivatives contracts and maximum loss limit for total and individual contracts:
- I. Total amount of derivative contracts:
 - i. Maximum limit for hedge trades: Finance Department shall be aware of the Company's overall position and the upper limit shall be the net position of foreign exchange transactions (including anticipated net positions).
 - ii. Transactions for other specified purposes or non-hedge trades shall only be conducted after being approved by the Board of Directors.
 - II. Maximum loss limit for total and individual contracts:
 - i. Hedge trades: The maximum loss limit of total contracts shall be five percent (5%) of the total amount of derivatives contracts; the maximum loss limit for individual contracts shall be five percent (5%) of the individual contract amount. Losses that exceed the maximum limit shall be reported to the General Manager as well as the Chairman. A necessary responding measure shall be reported to the Board of Directors.

- ii. Other specified purposes or non-hedge trading: The maximum loss limit of total contracts shall be five percent (5%) of the total amount of derivatives contracts; the maximum loss limit for individual contracts shall be five percent (5%) of the individual contract amount. Losses that exceed the maximum limit shall be reported to the General Manager as well as the Chairman. A necessary responding measure shall be reported to the Board of Directors.

6. Performance evaluation:

I. Hedge trades:

- i. Gains and losses generated based on the foreign exchange expenses recorded by the Company and the derivatives trading conducted shall be used as the basis for performance evaluation.
- ii. The Company shall conduct gain-loss evaluations on a monthly basis in order to be fully aware and disclose the evaluated risks of derivatives trading. The accountant shall prepare the evaluation report and submit it to senior management personnel authorized by the Board of Directors for review.

II. Other specified purposes or non-hedge trades:

- i. Actual gains and losses shall be served as the basis for performance evaluation on weekly basis. The accountant shall regularly prepare the evaluation report and submit it to senior management personnel authorized by the Board of Directors for review.

Article 10 As the market is impacted by a number of factors which could increase operational risks for derivatives. Therefore, the following principles shall be adopted for risk management:

1. Credit risk management:

- I. Trading counterparty shall mainly be leading financial institutions in the country or overseas.
 - II. Derivatives trade shall mainly be financial products provided by leading financial institutions in the country or overseas.
 - III. Transaction amount for open positions with the same trading counterparty shall not exceed US\$500,000 unless approved by the General Manager.
2. Market price risk management: losses due to future market price fluctuations are uncertain; as such, follow-up tracking shall be strictly implemented after positions have been established. When losses exceed the pre-set loss limit, it shall be reported to the General Manager for further handling.
3. Liquidity risk management: products with higher liquidity (meaning that the position of the product may be covered in the market at any point of time) will be prioritized in order to ensure the liquidity of the derivatives. Financial institutions entrusted to perform the transaction shall have sufficient information and the ability to conduct trading at any market at any time.
4. Cash flow risk management: in order to ensure the stability of the working capital of the Company, the source of capital used in derivatives trading engaged by the Company shall be restricted to the Company's disposable funds. Working capital requirements (The anticipated cash inflow and outflow for the subsequent 3 months) shall be considered when deciding the transaction amount.

5. Operational risk management:

- I. To ensure compliance to the Company's authorized limits, operating procedures, and to include the transactions into the scope of internal auditing to avoid operational risks.

- II. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
- III. Risk measurement, monitoring, and control personnel shall be assigned to a separate division of the personnel in the preceding procedures and shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.
- IV. Derivatives trading positions held shall be evaluated at least once per week. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.
- 6. Product risk management: traders shall have comprehensive and correct professional knowledge of financial products. It is also important to have the bank fully disclose any risks involved.
- 7. Legal risk management: documentation to be signed with financial institutions shall be reviewed by professionals in foreign exchange, legal affairs or legal consultation before formally signing the said documentation.

Article 11 Internal auditing system

- 1. The internal auditors shall periodically understand the suitability of internal controls on derivatives, conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the Procedures and compile a report. Should there any material violations, the internal auditors shall inform all the independent directors in written.
- 2. The internal auditors shall upload the report on derivatives trading, along with the execution report of annual internal auditing plan, to the securities regulatory authority in the prescribed format through the Internet no later than the end of February of the next year. The performance of corrective action in response to the irregularities shall be reported to the securities regulatory authority no later than end of May of the next year.

Article 12 Procedures of regular evaluation and handling of irregular circumstances are set forth as follows:

- 1. The designated senior managerial personnel shall pay continuous attention to monitoring and controlling derivatives trading risk and 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.
- 2. The designated senior managerial personnel shall periodically evaluate and ensure the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Procedures for engaging in derivatives trading formulated by the Company.
- 3. 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; an independent director shall be present at the meeting and express an opinion.
- 4. The Company shall report the derivatives trading to the latest Board of Directors meeting when authorizing the relevant personnel to handle derivatives trading in accordance with the Procedures.

Article 13 The Company shall establish and maintain a reference book if engaging derivatives trading to record the details of the types and amounts of derivatives trading engaged in, Board of Directors' approval dates, and the matters required to be carefully evaluated per the Procedures.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and upload the information in the prescribed format into the information reporting website designated by the competent authority in charge of securities by the 10th day of each month.

Section 4 Mergers, Spin-off, Acquisitions, and Transfer of Shares

Article 14 The term "Assets acquired or disposed through mergers, spin-off, acquisitions or transfer of shares in accordance with law" as set forth in the Procedures denotes the assets acquired or disposed through mergers, spin-off, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor under Article 156-3 of the Company Law of the Republic of China.

Article 15 Assets acquired or disposed through mergers, spin-off, acquisitions, or transfer of shares shall be in accordance with the Procedures and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".

Articles 15-1 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 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. Such engagement shall not apply to any of the following circumstances: where a public company merges with its directly or indirectly 100% held subsidiary, or the merge between its directly or indirectly 100% held subsidiaries.

Section 5 Others

Article 16 The Company's managers and persons-in-charge shall follow the Procedures in order to prevent this Company from incurring any losses. Should there be any violation of related regulations or the Procedures, subsequent castigation is subject to the related internal rules of the Company. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

Article 17 The Procedures shall be approved by a majority of the Audit and Risk Committee, the Board of Directors, and the Shareholders' Meeting. Any amendment is subject to the same procedures.