

Wiwynn Corporation

Rules and Procedures of Derivative Transactions

I. Purpose

According to the Company's "Procedures of Asset Acquisition and Disposal," these Procedures are hereby specified to manage derivatives and effectively regulate the exchange rate change of the Company's foreign currency positions and the price fluctuations on raw materials caused by its business operation and other risks.

II. Scope of application

1. Wiwynn Corporation.
2. Subsidiaries with 100% of its share held by the Company.
3. Other companies with more than 50% of its share held by the Company.

III. Transaction strategies

1. Transaction principles and policies

1-1. Transaction type:

Engagement of derivative operation, mainly including the use of forward contracts, options, swaps, futures and any combination of the above product portfolio. The use of other derivatives shall be submitted to the Board of Directors for resolution before implementation in accordance with relevant regulations.

1-2. Operational or hedging strategy:

Derivatives shall be selected based on hedging strategy and operated through financial institutions.

1-3. Division of responsibilities:

1-3-1. Operating units: provide the estimated hedge position for the reference of the financial department.

1-3-2. Financial department: keep abreast of market information; determine the trends and risk; get familiar with financial instruments, rules and regulations, master the risk position, confirm the transaction execution and records, provide reports in accordance with the law; and provide sufficient and real-time information to the departments of management, operations, procurement, accounting, capital allocation and other sectors for reference.

1-4. Transaction limits:

The foreign exchange positions and raw materials positions of the business in the next three months shall prevail. Any change shall be subject to the approval of the Board of Directors and the Chief Financial Officer. The relevant amendments to the authorized limit for engagement in derivative transactions shall be subject to the approval of the Audit Committee and submitted to the Board of Directors for resolution before implementation.

1-5. Upper limit of loss:

The upper limit of the Company's loss from the entire or a single contract for engagement of derivative transactions is fixed based on risks and contracts as follows:

Authorization Level	The maximum proportion of loss to the amount of the entire or a single contract
Chairman	20%
Chief Financial Officer	15%

If the loss exceeds the upper limit of the above table, the associated authorized personnel shall be reported, and relevant emergency measures shall be carried out under the instructions of the authorized director; if the loss accounts for 25% of the amount of the entire or a single contract, an announcement shall be published in accordance with regulations, and the relevant information shall be submitted to the Audit Committee and reported to the Board of Directors.

1-6. Essentials of performance evaluation

Based on the Company's book exchange rate and interest rate costs, and the profit and loss generated from engaging in derivative financial transactions as the essentials of performance evaluation, the Company evaluates at least twice a month, and the result is submitted to the management for reference.

2. Operational procedures

2-1. Authorized limit:

The authorized limit for transactions shall be fixed in accordance with the authorized limit of the Company for engaging in derivative transactions, and the amendments to the authorized limit as well as the changes to the growth and risks of the Company's turnover, and shall be subject to the approval of the Audit Committee and submitted to the Board of Directors for resolution before implementation. The same procedure applies to the amendments.

2-2. Execution units:

Derivative transactions and management shall only be carried out by professional personnel. The personnel engaged in transactions shall be under the control of the financial department.

3. Announcement declaration

3-1. The subsidiaries of the Company shall send a monthly transaction report to the financial department of the Company for centralized processing and consolidation within three (3) business days after the end of each month.

3-2. The financial department of the Company shall collect the information of the subsidiaries and enter the information on the declaration website designated by the competent authority after confirmation on the 10th day of each month.

4. Accounting processing methods

The Company's accounting for derivatives is handled in accordance with the current *Statement of Financial Accounting Standards* and the regulations of the relevant competent authorities. The necessary reports shall be provided on a regular basis to calculate realized and unrealized gains and losses for the assessment of the management authorities.

5. Internal control system

5-1. Risk management measures

- a. Credit risk control: Credit risk is controlled by choosing the counterparties that with low credit risk and the Company may deal with to those who have banking relationships with the Company, and are able to provide transaction statements periodically.
- b. Market risk control: Trading personnel should be aware of changes in the trading market and diversify the use of different financial products, and closely monitor the total transaction amount meets the limits specified in this procedure.
- c. Liquidity risk: Liquidity risk shall be controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.
- d. Operating risk control: Delegation systems and operating procedures set forth herein are employed to control operating risks.
- e. Legal risk control: Any legal documents signed with a financial institution should carefully evaluate legal relevant matters before being executed to control legal risk.
- f. Product risk control: Internal trading personnel should possess complete and accurate professional knowledge of financial products and request the banks to sufficiently disclosure risk to avoid risk of financial product misapplication.
- g. Cash settlement risk control: In addition to complying with the provisions of the authorized amount, authorized personnel should pay attention to the Company's cash flow to meet the cash settlement requirement.

5-2. Internal control

- a. A person shall not concurrently undertake a post in trading, settlement and confirmation.
- b. The person engaged in trading shall deliver the transaction certificates or contracts to the confirmation personnel for record after the completion of a transaction.
- c. The confirmation personnel shall immediately confirm the transaction, and periodically carry out the reconciliation or circularization with related banks.

- d. Financial personnel shall examine whether the total transaction amount has exceeded the transaction limits set in 1-4 at all times. (Subject to foreign exchange and raw material positions generated by the Company in the next three months)
- e. The risk measurement, supervision and control personnel should be in different departments from those of 5-2 a. and should be reported to the board of directors or to senior management personnel who are not responsible for decision-making of transaction or position.

5-3. Periodic evaluation and measures of irregular circumstances

- a. As for policy implementation and performance, the finance supervisor shall periodically convene meetings for relevant personnel to review operating strategies and performance.
- b. Hedging derivative transaction shall be evaluated twice a month and evaluation report shall be reported to the senior management personnel authorized by the Board of Directors.
- c. Senior management personnel authorized by the Board of Directors shall manage derivative transaction in accordance with the following principles:
 - (a.) Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with these Regulations and the Regulations Governing the Acquisition and Disposal of Assets formulated by the Securities and Futures Bureau.
 - (b.) 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.
- d. The Company engaging in derivative transactions shall establish a log book in which details of the types and amounts of derivative transactions engaged in, Board of Directors approval dates, monthly or weekly evaluation reports, and periodic evaluation matters of the Board of Director and senior management personnel authorized by the Board of Directors.

6. Internal auditing system

Internal auditors shall periodically check the fairness of internal control, monthly review the compliance of the transaction departments with the Company's "Rules and Procedures of Derivative Transactions" and then prepare audit reports. Any serious violations shall be reported to the Audit Committee in writing.

7. Board supervision and management

7-1. The Board of Directors shall appoint senior management personnel engaged in derivative transactions and pay attention to the supervision and control of derivative transaction risks at

all times.

7-2. The Board of Directors should regularly evaluate whether the performance of derivative transaction is consistent with the management strategy, and whether the risks undertaken are within the Company's tolerance.

IV. Miscellaneous

This specification shall be subject to the approval of the Audit Committee, and submitted to the Board of Directors for resolution, then obtain the consent of shareholders before implementation. The same procedure applies to the amendments.

These procedures were enacted on May 31, 2017.

The first amendment was made on January 17, 2018.