

Cheng Fwa Industrial Co., Ltd.

Regulations Governing the Acquisition and Disposal of Assets

Article 1 Legal Basis

These regulations are established in accordance with Article 36-1 of the Securities Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the Financial Supervisory Commission and other relevant provisions.

Article 2 Scope of Application

The term "assets" as used in these Regulations includes the following:

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 3 Evaluation

1. When the company acquires or disposes of long and short-term securities investments, the Finance Department and Accounting Department shall complete reports on the sources and uses of funds; they shall evaluate the investment target, including methods of price determination and references, and draft specific investment plans for decision according to the approval procedure.
2. When acquiring or disposing of asset investments, the executing unit should submit investment budgets and equipment addition plans according to the regulations; evaluate the investment target, including methods of price determination and references, and draft specific investment plans for

decision according to the approval procedure.

Article 4

The limits on the amount the company and its subsidiaries can spend on purchasing non-operating real estate, right-of-use assets, and securities are as follows:

1. The total amount for non-operating real estate and its right-of-use assets shall not exceed 25% of the shareholder's equity most recently certified by the accountant.
2. The total amount invested in securities shall not exceed the sum of the shareholder's equity and long-term liabilities most recently certified by the accountant.
3. The limit on the amount invested in individual securities shall not exceed 60% of the shareholder's equity most recently certified by the accountant.

Article 5 Authorization Limit

For the acquisition or disposal of various assets by the company, transactions with the same target and a cumulative amount reaching up to NT\$200 million (inclusive) are to be approved by the General Manager. Transactions with the same target and a cumulative amount up to NT\$300 million (inclusive) are to be approved by the Chairman. Transactions exceeding the aforementioned cumulative amount shall be submitted for resolution and approval by the Board of Directors.

Article 6 Executing Unit

After the acquisition or disposal of the company's assets has been approved according to the company's authorization limit, the using unit will take charge, with the cooperation of the Finance Department and Accounting Department.

Article 7 Acquisition or Disposal of Assets

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:

1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.

2) 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.

2. 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 the 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 calculation of transaction amounts in the previous three articles should be conducted in accordance with the announced reporting standards, and the so-called "within one year" is based on the date when the transaction fact occurred, retrospectively calculated for one year. The parts that have obtained appraisal reports from professional appraisers or accountant opinions according to this standard are exempted from being recalculated.

5. Where the 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. Mergers, demergers, acquisitions, or transfers of shares shall all be handled in accordance with the procedures stipulated by the Financial Supervisory Commission of the Executive Yuan.

7. Where the company 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. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

8. When participating in mergers, demergers, or acquisitions, unless otherwise provided by other laws or with special factors reported in advance to the Financial Supervisory Commission of the Executive Yuan for consent, a board of directors and shareholders meeting should be convened on the same day to resolve related matters of mergers, demergers, or acquisitions.

Companies participating in the transfer of shares should hold a board of directors meeting on the same day unless otherwise provided by other laws or with special factors reported in advance to the Financial Supervisory Commission of the Executive Yuan for consent.

(1) When participating in mergers, demergers, acquisitions, or transfers of shares, complete written records of the following information should be made and preserved for five years for inspection:

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.

(2) When participating in mergers, demergers, acquisitions, or transfers of shares, the information in the previous paragraph shall be reported for review in the prescribed format on the Internet information system within two days from the date of the resolution by the board of directors.

(3) 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.

Article 8 Related Party Transactions:

1. 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.

2. The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 5 herein.

When the company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof 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 money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by half of the audit committee members and resolved by the board of directors:

- (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 relevant regulations.
- (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.

If a public company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 1 and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of paragraph 1 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.

The calculation of transaction amounts in the third and fourth paragraphs should be handled in accordance with the announced reporting standards, and the so-called "within one year" is based on the date when this transaction fact occurred, retrospectively calculated for one year. Parts that have been

submitted to the shareholders' meeting, audit committee, and board of directors for approval according to this standard are exempted from being recalculated.

The company, subsidiaries, or their direct or indirectly wholly-owned subsidiaries may conduct the following transactions amongst themselves, and the board of directors may authorize the chairman to decide in advance according to the authorization limits prescribed in Article 5 and report to the most recent board of directors for recognition afterward.

(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.

The related parties and subsidiaries of this operational procedure should be identified according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 9 Procedure for Handling the Acquisition or Disposal of Membership Certificates or Intangible Assets:

1. Evaluation and operational procedures:

The undertaking unit should present the reasons, objects, transaction counterparties, transfer price, payment conditions, price reference basis, etc., for the proposed acquisition or disposal to the responsible unit for decision.

2. Transaction conditions and authorization limit:

(1) When acquiring or disposing of membership certificates, the price should consider the expected future appreciation and benefits generated; actions can be taken within the authorization limit.

(2) When acquiring or disposing of intangible assets such as patents, copyrights, trademarks, and franchises, the price should consider expected future profits, the degree of technological development and innovation, the state of legal protection, the conditions of authorization and implementation, and the production or implementation costs, etc., and make a comprehensive judgment considering all relevant factors of the right holder and licensee; actions can be taken within the authorization limit.

3. Undertaking unit:

When the company acquires or disposes of membership certificates or intangible assets, the using unit will take charge, with the cooperation of the Finance Department and Accounting Department.

4. Expert evaluation opinion report on membership certificates or intangible assets:

When the transaction amount for acquiring or disposing of membership certificates or intangible assets by the company reaches 20% of the company's paid-up capital or more than NT\$300 million, except for transactions with domestic government agencies, an accountant should be consulted for an opinion on the reasonableness of the transaction price before the date of occurrence. The accountant should handle it according to the provisions of Statement of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation.

Article 10 Procedures for Dealing with Derivative Product Transactions:

The company is allowed to engage in derivative product transactions, authorizing the General Manager to manage such transactions, and will present the log book for review to the board of directors every quarter.

1. Trading principles and policies:

(1) Types of Transactions: 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. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts. If there is a need to use other commodities, approval from the General Manager should be obtained before trading.

(2) Management or Hedging Strategy: The company's derivative product transactions primarily aim at financial operations (positions constructed of assets, liabilities, or portfolios expected to gain benefits from market fluctuations in the future) and hedging operations (transactions to avoid or minimize exchange rate or interest rate risk, not intended to create profits).

(3) Division of Responsibilities:

1. Trading Personnel: The finance manager is responsible for mastering the operation and prediction of the company's derivative products and must collect relevant information, being familiar with financial products, rules and regulations, and operational skills at all times.

2. Settlement Personnel: Designated by the accounting manager and responsible for recording transactions timely in the log book, evaluated and reviewed by the General Manager semi-monthly, and presented to the board of directors for review quarterly.

(4) Performance Evaluation: Details of operations (amount, exchange rate, bank, expiration date) are recorded to grasp the profit and loss status; furthermore, exchange losses and gains are settled monthly, quarterly, semi-annually, and annually.

(5) Authorization Limits for Acquisition or Disposal: Implemented according to the authorization limits prescribed in Article 5, with a single amount not exceeding NT\$500 million, and the cumulative outstanding balance not exceeding 30% of the company's net value verified in the most recent financial statements by accountants.

(6) Loss Limit: Contract loss limit shall not exceed 10% of the contract amount, applicable to individual and all contracts.

2. Risk management measures:

(1) Risk management shall address credit, market, liquidity, cash flow, operational, and legal risks.

(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 the General Manager.

(5) Other important risk management measures.

3. Internal audit system:

The 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, audit committee members shall be notified in writing.

4. The board of directors should supervise management based on the following principles:

(1) Designate General Manager 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.

5. The General Manager is authorized to manage derivative product transactions based on 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; an independent director shall be present at the meeting and express an opinion.

6. Those authorized according to the established derivative product transaction procedures should report to the most recent board of directors afterward.

7. A log book should be established, detailing types, amounts, approval dates from the board of directors, and meticulous evaluations of derivative product transactions.

Article 11 Announcement and Reporting Standards

1. Under any of the following circumstances, when acquiring or disposing of assets, the company shall publicly announce and report the relevant information on the FSC's designated website in the

appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

(1) Acquiring or disposing of real estate or its right of use assets from/to related parties, or other assets transactions with related parties that reach 20% of the company's actual paid-in capital, 10% of total assets, or over NT\$300 million are to be announced and reported. However, the buying and selling of domestic government bonds, bonds with repurchase conditions, subscription, or repurchase of money market funds issued by domestic securities investment trust enterprises are not limited to this.

(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 meets any of the following criteria:

1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.

2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.

(5) 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.

(6) Where an asset transaction other than any of those referred to in the preceding five 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) A. Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.

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.

2. 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.

3. 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.

4. When acquiring or disposing of assets, the company 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.

5. 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.

6. In cases where a subsidiary, which is not a domestically publicly listed company, engages in asset acquisitions or disposals that require reporting in accordance with the publicly announced reporting standards, the responsibility for such reporting shall lie with the parent company.

The actual paid-in capital or total assets of the parent company shall be the standard for subsidiaries

applicable to the announcement and reporting standards.

The day when the fact occurs referred to in these regulations refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

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.

Article 12 Penalties

If the relevant personnel of the parent company or any subsidiary violate the Financial Supervisory Commission's "Regulations Governing the Acquisition and Disposal of Assets" or these regulations, the case will be referred to the company's Personnel Evaluation Meeting for consideration of the severity of the violation.

Article 13 Procedures for Monitoring Subsidiaries' Acquisition or Disposal of Assets

1. When subsidiaries of the company acquire or dispose of assets, they should follow the regulations set by the Financial Supervisory Commission and refer to local laws of the subsidiary and the opinions of the company to establish their own "Regulations Governing the Acquisition and Disposal of Assets", which must be approved by the board of directors of the subsidiary, and the same applies for amendments.
2. If a subsidiary is not a publicly listed company in the country, and its acquisition or disposal of assets reaches the public announcement and reporting standards of Article 11 of these procedures, the company shall make public announcements and reports on its behalf.
3. The company shall ensure that subsidiaries review whether their established procedures comply with relevant regulations and whether related matters are handled according to their established procedures.

Article 14 Any matter not covered in these regulations shall be handled in accordance with relevant laws and regulations and the company's relevant rules.

Article 15 Implementation and Amendment

1. These regulations must be approved by the audit committee, the board of directors, and consented to by the shareholders' meeting. The same applies to amendments. If any director objects and there are records or written statements, the company should submit the director's objection data to the audit committee.

2. When discussing the "Regulations Governing the Acquisition and Disposal of Assets" at a board meeting according to the previous paragraph, the opinions of all independent directors should be fully considered. Any opposing or reserved opinions from independent directors should be clearly recorded in the minutes of the board meeting.
3. The "Regulations Governing the Acquisition and Disposal of Assets" of the subsidiary shall be implemented after being approved by the board of directors, and the same applies for amendments.

Article 16 Supplementary Provisions

These regulations were established on March 9, 1998.

First amendment on July 31, 1998.

Second amendment on November 5, 1999.

Third amendment on May 14, 2002.

Fourth amendment on April 2, 2003.

Fifth amendment on June 27, 2003.

Sixth amendment on June 15, 2007.

Seventh amendment on June 13, 2008.

Eighth amendment on June 18, 2010.

Ninth amendment on June 17, 2011.

Tenth amendment on June 19, 2012.

Eleventh amendment on June 13, 2013.

Twelfth amendment on June 27, 2014.

Thirteenth amendment on June 28, 2017.

Fourteenth amendment on June 6, 2019.

Fifteenth amendment on June 11, 2020.

Sixteenth amendment on July 20, 2021.

Seventeenth amendment on June 10, 2022.