

CHENG FWA INDUSTRIAL CO., LTD.

INTERNAL AUDIT IMPLEMENTATION RULES

Approved by the Board of Directors on March 22, 2023

Article 1 Implementation Basis

The Internal Audit Implementation Rules of the company are established in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and comply with the laws and regulations issued by the competent authority "Financial Supervisory Commission."

Article 2 Scope of Application

(1) The auditing staff of the company conducts audit work in accordance with these rules.

(2) Audit targets include the overall operational activities of the company and its subsidiaries, with subsidiaries identified according to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(3) The company's audit staff conduct audit work based on purpose and scope, distinguishing between planned or project-based audits.

Article 3 Purpose of Audit

Internal audits aim to evaluate internal control systems to measure the effectiveness and compliance level of current policies and procedures and their impact on various operational activities. The purpose is to assist the Board of Directors and management in inspecting and reviewing the deficiencies in the internal control system and measure the effectiveness and efficiency of operations, providing timely improvement suggestions to ensure the sustained effective implementation of internal control systems and serving as the basis for reviewing and amending internal control systems.

Article 4 Responsibilities of Auditors

(1) The internal audit unit of the company reports to the Board of Directors and, depending on the company's scale, business conditions, management needs, and other relevant legal provisions, has one audit supervisor and three auditors and have deputies in place for the internal auditors. The appointment and dismissal of the internal audit supervisor are approved by the Board of Directors and publicly announced/reported for record-keeping.

(2) The internal audit unit of the company prepares the annual audit plan based on risk assessment results and obtains approval from the Board of Directors; amendments also follow the same process.

(3) Auditors should clarify audit items, purposes, periods, targets, sampling scope and methods, operating procedures, and audit focus in advance and prepare audit reports and working papers along with the audit results and suggestions. Audit reports, working papers, and related materials should be preserved for at least five years.

(4) Auditors shall communicate fully with the audited unit regarding the inspection results of the annual audit items and shall faithfully disclose in audit reports any defects and irregularities of the internal control systems discovered in assessment and, after having presented the reports, follow up on the matters and prepare follow-up reports at least on a quarterly basis until such time as correction is made, to ensure that the relevant departments have taken appropriate corrective measures in a timely manner.

(5) Auditors shall submit the same for review by the members of the Audit Committee by the end of the month next following the completion of the audit items.

(6) Internal auditors discovering any material violation or any likelihood of material damage to the company shall promptly prepare and present a report and notify the members of the Audit Committee.

(7) The audit unit shall review the annual internal control system self-assessment reports of all units and subsidiaries, along with the improvement status of discovered internal control deficiencies and irregularities, serving as the primary basis for the Board of Directors and the General Manager to assess the overall effectiveness of internal control systems and issue internal control system statements. The self-assessments shall be recorded in working papers that shall be preserved, together with the self-assessment reports and relevant materials, for no less than 5 years.

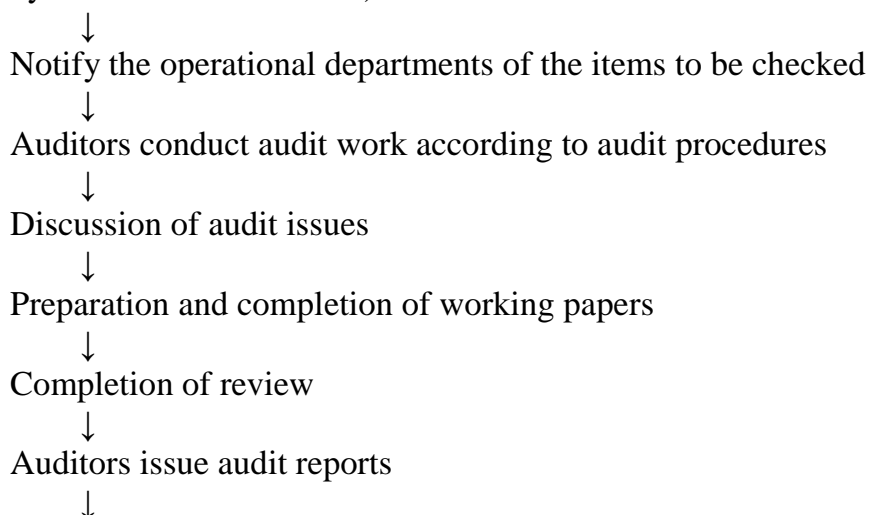
(8) Auditors may access all files, and the audited unit is obliged to accept and may not refuse or conceal; for confidential files, permission should be obtained before access.

(9) Auditors should continue their education and participate in internal audit training organized by institutions recognized by the "Financial Supervisory Commission" to enhance audit quality and capability.

(10) Auditors shall be detached, independent, objective, and impartial, in faithfully performing their duties, and shall exercise due professional care.

Article 5 Procedures for Internal Audit Operations of the Company

Draft the annual audit plan based on the results of risk assessment (subject to approval by the Board of Directors)



Audit Supervisor reviews and expresses opinions



The audited supervisor expresses opinions (including proposed improvement plans)



Instructions from the Chairman



Submission for review by members of the Audit Committee

Article 6

The internal auditors shall perform their duties in good faith and shall not do any of the following:

1. Conceal or make false or inappropriate disclosure of any the company's business activities, reporting, or compliance with applicable laws, regulations, and bylaws, knowing that they have caused direct damage to an interested party;
2. Damage any right or interest of the company or any interested party through neglect of duty;
3. Act beyond the scope of audit functions or engage in other improper activity, with the intent to gain illegal benefit for him/herself or a third party, violate the auditor's duties or embezzle company assets.
4. Conduct an audit on a department where he/she worked within the past 1 year.
5. Fail to recuse him/herself from auditing of cases in which he or she has a personal interest or has a conflict of interest.
6. Fail to audit any matter as instructed by the FSC or provide relevant information; or
7. Provide, promise, request, or accept, directly or indirectly, unreasonable gifts, entertainment, or any other improper benefits in whatever form.
8. Any other activity in violation of any act or regulation or prohibited by any rule of the FSC.

Article 7 Implementation Date

These measures are implemented after approval by the Board of Directors; the same applies when amendments are made.