Fu Chun Shin Machinery Manufacture Co., Ltd.
Regulation Governing the Trading of Derivatives

Article 1: Purpose

This procedure is established to effectively manage the risks associated with derivative transactions and to establish internal control regulations to ensure information disclosure and protect investments. Any matters not covered in this procedure shall be handled in accordance with relevant laws and regulations.

Article 2: Types of Transactions

The term "derivative products" in this procedure refers to forward contracts, options contracts, futures contracts, leveraged margin contracts, swap contracts, combinations of the aforementioned contracts, or embedded derivative combinations or structured products whose value is derived from specified interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indices, credit ratings or credit indices, or other variables. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sales) contracts.

Article 3: Management or Hedging Strategies

The company's profits should derive from normal operations. The derivative financial product transactions engaged in by the company should aim to hedge risks. The traded products should be chosen primarily to hedge the risks arising from the company's business operations. Additionally, the counterparties for these transactions should preferably be banks with which the company has regular business dealings to avoid credit risk.

Article 4: Division of Responsibilities

Finance Department: Responsible for formulating strategies for the company's derivative product operations, gathering relevant information in response to market changes, judging trends and risk assessments, familiarizing with financial products and legal regulations, considering the company's financial position, and drafting operational strategy plans. These plans should be approved by the competent authorities through formal procedures and used as a basis for risk hedging.

Cable Department: Engages in futures and derivative transactions for metal raw materials primarily to lock in costs and hedge against inventory price declines, operating under the principle of prudent hedging. The department should propose operational strategies based on actual copper inventory, demand, and price trends, to be approved by the competent authorities before execution.

Article 5: Performance Evaluation

1.Hedging Transactions

A. Unrealized gains/losses evaluation: Primarily based on the difference between the derivative contract price and the market price at the time of evaluation.

B. Realized gains/losses evaluation: Primarily based on the difference between the derivative contract price and the book cost.

C. To fully understand and express the risk of transactions, the company uses monthly settlement evaluations to assess gains and losses.

2.Non-Hedging Transactions

Performance evaluation is based on the actual gains and losses incurred. Periodic position reports should be prepared and provided to management for reference.

Article 6: Setting Total Contract Amount and Loss Limits

1. Total Contract Amount
   A. Hedging Transaction Limits:
      - Foreign exchange and interest rate derivative transactions: The total amount of hedging contracts should not exceed the net foreign exchange position resulting from accounts receivable and payable or net assets and liabilities expected to arise from business operations over the next six months.
      - Futures: The total number of open contracts should not exceed 10 contracts.

   B. Non-Hedging Transactions: Based on market predictions, the finance department may draft foreign exchange and interest rate hedging plans, which must be approved by the chairman before execution.
2. Loss Limits
   A. Hedging transactions aim to hedge risks, so the total contract loss limit is set at 20% of the total contract amount, and the individual contract loss limit is set at 10% of the individual contract amount.

   B. For non-hedging transactions (such as transactions for specific purposes), the individual contract loss limit is set at the lesser of USD 100,000 or 10% of the transaction contract amount.

Article 7: Operating Procedures

1. Authorization Levels and Limits

A. Hedging Transaction Limits:

a. Authorization and transaction limits:

Transaction Type	Authorized Person	Daily Transaction Limit	Net Cumulative Position Limit
Foreign exchange, interest rate derivative contracts	Chairman	Over USD 2 million, up to USD 3 million	Over USD 20 million, up to USD 30 million
	CEO	Up to USD 2 million	Up to USD 20 million
Futures	Chairman	4-5 contracts	6-10 contracts
	CEO	Up to 3 contracts	4-5 contracts
	Head of Cable Department	Up to 2 contracts	Up to 3 contracts

b. If the daily transaction amount or the cumulative net open position exceeds the authorized limit, it must be approved by the authorized person before execution.

B. Non-Hedging Transaction Limits:

Any non-hedging transactions must be approved by the chairman according to the authorization limit before execution.

2. Executing Units

The finance department is responsible for operations involving foreign exchange, interest rate derivative contracts, and other financial derivative products. The cable department handles futures derivative products.

3. Operational Description

A. Transaction Process:

- Foreign exchange and interest rate derivative contracts: The finance department formulates operational strategies based on evaluations, selects financial institutions with favorable conditions, conducts related foreign exchange and interest rate hedging operations, submits transaction amounts for approval by the authorized person, and retains records.
- Futures: The cable department formulates operational strategies based on evaluations, selects reputable brokers, operates within the authorized scope, submits relevant documents for each transaction for approval by the authorized person, and forwards them to the finance department for record-keeping.

B. Report to the most recent board meeting.

4. The company should establish a register for derivative transactions, detailing the types, amounts, board approval dates, and other prudently evaluated matters for record-keeping.

Article 8: Announcement and Reporting Procedures

The finance department shall monthly report the status of derivative transactions conducted by the company and its non-publicly traded subsidiaries up to the end of the previous month, according to the relevant laws and regulations.

Article 9: Accounting Procedures

1. Cash inflows and outflows resulting from foreign exchange operations should be immediately recorded by the accounting unit.
2. The accounting treatment of derivative transactions, except as stipulated in this procedure, shall be handled according

to the relevant provisions of the accounting system.

Article 10: Internal Control System

1. Personnel engaged in derivative transactions and those responsible for confirmation and settlement operations should not hold concurrent positions.
2. Risk measurement, supervision, and control personnel should be from different departments than the aforementioned personnel and report to the board of directors.
3. For non-hedging transactions, positions should be evaluated at least weekly; for hedging transactions for business needs, evaluations should be conducted at least twice a month, with reports submitted to the chairman.
4. The board of directors should supervise and manage based on the following principles:
   A. Designate senior executives to continuously monitor risk supervision and control of derivative transactions.
   B. Periodically evaluate whether the performance of derivative transactions aligns with established business strategies and whether the risks assumed are within the company's allowable range.
5. The senior executives authorized by the board should periodically evaluate whether the current risk management procedures are appropriate, ensure compliance with this procedure, supervise transaction and profit/loss situations, take necessary measures for abnormalities, and report immediately to the board. If independent directors are appointed, they should attend board meetings and express their opinions.
6. Trading personnel must submit relevant transaction forms to confirmation personnel for recording.

7. Confirmation personnel must regularly reconcile transaction details and totals with trading banks to ensure they do not exceed the contract amounts specified in this procedure.

Article 11: Risk Management Measures

1. Credit Risk Management:
   To manage market risks arising from various factors, the following principles should be adhered to:
   A. Orders should primarily be placed with internationally renowned banks.
   B. Traded products should be limited to those provided by internationally renowned banks.
   C. Orders placed with the same bank should not exceed USD 10 million, unless approved by the chairman.
   D. For specific products from communist countries, a credit risk avoidance plan should be formulated and approved by the chairman before proceeding.
2. Market Risk Management: The market should primarily be the open foreign exchange market between banks and clients.
3. Liquidity Risk Management:
   To ensure market liquidity, highly liquid financial products (i.e., those that can be closed out in the market at any time) should be chosen. Trading banks must have sufficient information and the ability to trade in any market at any time.
4. Operational Risk Management:
   Strict adherence to the company's authorized limits, operational procedures, and internal audits to avoid operational risks.
5. Legal Risk Management:
   Documents signed with banks should be reviewed by

specialized personnel in foreign exchange or legal affairs before formal signing to avoid legal risks.

6. Periodic Evaluation Method:

The board should authorize senior executives to periodically supervise and evaluate whether derivative transactions are conducted in accordance with the company's established procedures and whether the assumed risks are within the allowable range. If abnormal situations are found (e.g., positions exceeding loss limits), immediate reports should be made to the board and appropriate measures taken. Non-hedging transaction positions should be evaluated at least weekly, while hedging transactions for business needs should be evaluated at least twice a month.

Article 12: Internal Audit System

Internal auditors should regularly understand the adequacy of internal controls for derivative transactions and monthly audit the compliance of the trading department with these procedures, creating audit reports. If independent directors are appointed, they should be notified in writing along with audit committee members. Any major violations should be reported in writing to all audit committee members, and relevant personnel should be disciplined according to the severity of the violations.

Article 13: The regulation shall be enforced upon resolution by a shareholders’ meeting. The same shall apply where the regulation are amended.

This regulation were enacted on February, 2003.

1st amendments hereto were made on March, 2012.

2nd amendments hereto were made on December, 2012.

3rd amendments hereto were made on March, 2014.

4th amendments hereto were made on November, 2015.
5th amendments hereto were made on June, 2020.
6th amendments hereto were made on May, 2022.