

Everlight Electronics Co., Ltd.

Handling Procedures for Derivative Product Transaction Engagement

Article 1: Purpose of Stipulation of Procedures

- A. Purpose for this is to establish risk management as well as internal control system for derivative product transaction to ensure information disclosure and protection of investment.
- B. Handling procedures hereto are stipulated in accordance with official letter dated December 10th, 2002 under reference number of (91) Tai-Cai-Zheng (1) No. 0910006105 from the Securities and Futures Commission (hereinafter referred to as “SFC”) of the Ministry of Finance.

Article 2: Transaction Principle and Guidelines

A. Transaction Category

Derivative financial products allowed for engagement shall mean and refer to transaction agreement of values derived from products of asset, interest rate, exchange rate, index or other benefits (such as forward contract, option, futures, interest rate or exchange rate, swap as well as compound agreement composed of combination of aforementioned products). Forward contract referred to in handling procedures hereto does not include insurance contract, performance agreement, after-sales service agreement, long term lease agreement and long term purchase (sales) agreement. Matters with respect to margin trading shall be conducted in accordance with related rules of the handling procedures hereto.

B. Operation Strategy

The Company’s profit shall come from normal operations. As such, engagement in derivative financial product operations shall aim at lowering the Company’s overall risks from interest rate and exchange rate for the purpose of saving financial costs. In principle, the Company is only engaged in hedging transaction and shall not be engaged in speculative trading. Currencies held by the Company shall meet with its actual foreign currency needs for import/export trading. Transaction for other specific purpose shall be carefully assessed and shall be submitted to Chairman of the Board for approval before being processed.

C. Division of Authority and Responsibility

(1) Finance:

1. Trading Staff

- (i) Trading staff is responsible for drafting financial product trading strategy for the company as a whole.

- (ii) On every Tuesday, trading staff shall calculate positions held, collect market information, conduct trend judgement and risk assessment and draft operation strategy. Senior management staff appointed by the Board Meeting is therefore responsible for assessment, supervision and control of related risks which shall serve as the basis for trading.
- (iii) Trading staff shall implement transaction in accordance with authority granted as well as drafted strategy.
- (iv) In the event that there are major changes in financial market and trading staff determines that drafted strategy is no longer applicable, trading staff shall therefore present assessment report from time to time and re-draft strategy accordingly which shall serve as the basis for trading after being approved by the General Manager.

2. Announcement Staff

Reporting and announcement shall be conducted in accordance with the Securities and Exchange Commission's regulations.

3. Settlement Staff

Settlement staff is responsible for conducting settlement.

(2) Accounting:

- (i) Accounting staff shall be responsible for conducting transaction confirmation.
- (ii) Transaction shall be reviewed to verify if it is conducted in accordance with authority granted and drafted strategy.
- (iii) Assessment shall be conducted each month and assessment report shall be submitted to General Manager accordingly. °
- (iv) Accounting staff is responsible for accounting processing.

(3) Audit Department:

Audit shall assess, supervise and control risks of transaction engaged by Finance department, and shall report to the Board Meeting in the event of major deficiency.

D. Performance Assessment

(1) Hedging Transaction

- 1. Profit /loss generated from derivative financial transaction using the Company's book exchange rate cost will serve as the basis for

performance assessment.

2. For the purpose of comprehensive control and expression of transaction assessment risks, the Company utilizes monthly assessment method for profit/loss assessment.
3. Finance Department shall provide foreign exchange position assessment, foreign exchange market trend and market analysis to General Manager for management reference and instruction.

(2) Specific Purpose Transaction

Profit/loss actually generated shall serve as the basis for performance assessment. Accounting staff shall compile position statement on a regular basis for management's reference.

E. Stipulation of Contract Total Amount and Upper Limit for Loss

(1) Contract Total Amount

1. Hedging Transaction Amount:

Finance Department shall control the Company's overall position in order to avoid transaction risk. Amount for hedging transaction shall not exceed 80% of the Company's foreign currency net position, and shall not be less than 20% of foreign currency net position.

2. Specific Purpose Transaction:

With forecast on market change circumstances, Finance Department may draft strategy based on needs. Strategy shall be submitted to General Manager and Chairman of the Board for approval before being implemented. Total contract amount for the whole Company's net accumulated position for specific purpose transaction shall be limited to USD150 million dollars.

(2) Stipulation of Loss Limit

1. After position has been established for hedging transaction contract, stop loss point shall be installed to prevent excess amount of loss. Loss limit for contracts as a whole shall not exceed 5% of total transaction amount. For individual contract, loss limit shall not exceed 10% of contract amount.
2. In the event that position for specific purpose transaction contract has been established, stop loss point shall therefore be installed to prevent excess amount of loss. Installation of stop loss point shall not exceed 5% of individual transaction contract amount.

3. Annual total transaction contract loss from the Company's specific purpose transaction operation shall be limited to USD500 thousand dollars.

Article 3: Operation Procedures

A. Authorized Amount and Approval Level

(1) Foreign Exchange Transaction Limit

1. For foreign exchange transaction implementation staff and transaction limit, net accumulated position for hedging transaction shall follow rules stipulated in (1)1, Paragraph 5, Article 2 and shall be not limited to limits prescribed hereto.

| Transaction Trader | Daily Trading Limits |
|---------------------------|----------------------|
| Chairman of the Board | USD 10 million |
| General Manager | USD 8 million |
| Assistant General Manager | USD 5 million |

2. In the event that daily trading amount or accumulated position which has not been written-off exceeds authorized amount, implementation can only be conducted after submission to trader with qualified authorized amount and approval is obtained accordingly.

(2) Limits for Non-Foreign Exchange Transaction

As for other non-foreign exchange transactions, strategy report shall be submitted and approval from General Manager or Chairman of the Board shall be obtained accordingly before transaction can be conducted in accordance with authorized amount and approval level prescribed in strategy report.

B. Explanation of Operation Procedures

| Explanation of Operation | Responsible Person |
|---|--------------------|
| (1) Operation strategy shall be drafted each year in accordance with annual plan and shall serve as the basis for the whole year operation after being submitted and approved by General Manager/Chairman of the Board. | Chief of Finance |
| (2) Each session (month/quarter), modification of operation strategy shall be made in accordance with business needs and market condition, and shall be submitted to General Manager accordingly. | Chief of Finance |

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|-----|---|---|
| (3) | Department of Finance will place orders with financial institution within authorized scope. In the event of amount exceeding authorized amount prescribed in Paragraph 1, Article 3 of this guideline, advance approval in writing from General Manager or Chairman of the Board shall be obtained in accordance with aforementioned clause. | Trader of Department of Finance |
| (4) | Trader is responsible for executing transaction. Upon completion of transaction and no later than the next day, trader shall issue internal document based on bank's transaction completion report and deliver the document to confirmation staff. | Trader of Department of Finance |
| (5) | Upon receiving internal document, confirmation staff shall immediately verify with financial institution via phone. Financial institution's transaction completion document is sent directly to confirmation staff. Confirmation staff will review transaction and issue voucher to settlement staff. Furthermore, confirmation staff shall conduct reconciliation with financial institution on a regular basis. | Accounting Staff |
| (6) | Settlement staff shall execute settlement based on confirmation document and shall conduct operations in accordance with Department of Finance's regulations. | Settlement Staff of Department of Finance |
| (7) | Accounting staff shall conduct account entry in accordance with accounting processing procedures. | Accounting Staff |
| (8) | "Short Term Investment Evaluation Monthly Statement" shall be compiled each month. | Department of Finance |
| (9) | Announcement shall be made each month in accordance with Securities and Exchange Commission's regulations. | Department of Finance |

C. Establishment of Memorandum

The Company is engaged in derivative product transaction. As such, a memorandum shall be established and details of derivative product transaction type and amount, date of approval by the Board of Director's Meeting as well as matters to be carefully assessed as required by regulations shall all be recorded on the memorandum for reference purpose.

Article 4: Announcement & Reporting Procedures

With respect to the Company and its subsidiary's derivative product transactions as of the end of the previous month, each month the Department of Finance shall distinguish transaction/non-transaction based contract total amounts which have not been written-off and utilize market price to assess net profit/loss accordingly. Related contents of paid guarantee amounts and recognized profit/loss amount together with monthly operation status shall be input onto information report website designated by Securities and Futures Commission prior to 10th of each month for announcement purpose.

Article 5: Accounting Procedures

With respect to cash payment/receipt incurred from foreign exchange operation during accounting process, the Financial Planning Team shall immediately pass on to accounting unit for account entry. With the exceptions prescribed in the Procedures hereto, accounting processing methods for the Company's related derivative product transactions shall be conducted in accordance with accounting system related regulations.

Article 6: Internal Control System

A. Internal Control for Operation Procedures

- (1) Personnel engaged in derivative product trading and operation personnel of confirmation or settlement shall not concurrently assume each other's roles.
- (2) Financial institution is required to deliver "transaction completion statement" directly to confirmation personnel for registration accordingly.
- (3) Confirmation personnel shall verify transaction details as well as total amount with trading bank on a regular basis.
- (4) Trading personnel shall from time to time pay attention that if transaction total amount exceeds contract total amount prescribed in the Procedures hereto.
- (5) Assessment personnel shall conduct assessment over transaction results on a regular basis.

B. Risk Management Measures

(1) Credit Risk Management:

It is easy to have derivative financial product operation risks given the fact that market changes as a result of various factors. As such, market risk management is implemented in accordance with the following principles:

1. The Company shall mainly place its transaction orders with internationally renowned financial institutions.
2. Products for transaction shall be limited to products offered by internationally renowned financial institutions.

3. With the exception of those approved by General Manager/Chairman of the Board, amounts of transaction orders placed with the same one bank shall not exceed USD 25 million dollars.
4. In the event that transaction products are specific products from communist countries, a credit risk aversion plan shall be drafted accordingly and transaction can only be executed after approval from Chairman of the Board is obtained.

(2) Market Risk Management:

Markets are mainly open transaction markets.

(3) Liquidity Risk Management:

To ensure market liquidity, selection of financial products shall mainly focus on products with higher liquidity (i.e., squaring is available in the market from time to time). Financial institution entrusted to execute transaction shall possess sufficient information as well as the capability to execute transaction in any market from time to time.

(4) Legal Risk Management:

Documents to be entered with financial institutions shall be reviewed by foreign exchange and legal designated staff before being entered officially in order to avoid legal risks.

C. Method for Periodic Review

The Board of Directors' Meeting shall authorize senior management staff to regularly supervise and assess if derivative product transactions are truly executed in accordance with transaction procedures stipulated by the Company, and if risks assumed are within the scope of tolerable assumption. Under the circumstances that there are irregularities in market price assessment report (e.g., position held has already exceeded loss limit), the Board of Directors' Meeting shall be reported immediately and countering measure(s) shall be taken accordingly. In the event of independent director(s) established within the Board, there shall be independent director(s) attending the Board of Directors' Meeting and making comments accordingly.

Non-hedging transaction positions held shall be assessed at least once every week. Nevertheless, hedging transactions executed under business needs shall be assessed at least twice each month and assessment report shall be submitted to senior management staff authorized by the Board of Directors' Meeting.

For engagement of derivative product transactions, the most recent Board of Directors' Meeting shall be reported after execution of transaction.

Article 7: Internal Audit System

- A. Internal audit staff shall regularly understand adequacy of internal control over derivative product transactions, implement audit each month over transaction department's compliance with Handling Procedures for Derivative Product Transaction Engagement, analyze transaction cycles and compile audit reports accordingly. In the event of major violation detected, respective audit committee shall be notified accordingly in writing.
- B. Prior to the end of February of next year, internal audit staff shall submit audit reports together with internal audit operation annual audit status to the Securities and Exchange Commission, and irregularity rectification status shall be submitted to the Securities and Exchange Commission for reference by the end of May of the next year at the latest. (This paragraph applies when the Company is already a listed or an OTC company.)

Article 8: Other Matters

These Procedures are implemented after being approved by the Board of Directors' Meeting and have been submitted to the Shareholder's Meeting accordingly. The same shall apply in the event of modification conducted.

These Procedures were enacted on November 1, 1996.

The 1st amendment was made on June 21, 2002.

The 2nd amendment was made on January 28, 2003.

The 3rd amendment was made on May 24, 2005.

The 4th amendment was made on June 15, 2010.

The 5th amendment was made on June 10, 2011.

The 6th amendment was made on June 11, 2014.

The 7th amendment was made on June 15, 2018.