



Operating Procedures for Transactions among Members in the Same Group, Specific Companies, and Related Parties

I. Purpose

To ensure sound financial and business interactions between our company and group enterprises, specific companies, and related parties, and to prevent non-arm's-length transactions and improper channeling of interests with respect to the purchase and sale of goods, the acquisition and disposal of assets, the provision of endorsements and guarantees, and loans of funds, these rules are adopted pursuant to Article 17 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the practical needs of the company

II. Spirit

Financial and business matters between our company and group enterprises, specific companies, and related parties shall be handled in accordance with these rules, except as otherwise provided by law or the articles of incorporation.

III. Content

Article 1:

Entities that meet any of the following criteria are considered group enterprises of our company:

1. Entities that are in a parent-subsidary relationship with our company, where "parent company" and "subsidiary" are defined according to IFRS 10.
2. Entities where our company directly or indirectly controls their personnel, finance, or business operations, or where they directly or indirectly control our company's personnel, finance, or business operations. The following assessment criteria shall be used to determine such relationship:
 - (1) One holds the majority of the director positions in the other.
 - (2) An appointee of one is hired as general manger of the other.
 - (3) One possesses managerial authority over the other under a joint venture agreement entered into therebetween.
 - (4) One provides financing facility for the other totaling one-third or more of the latter's total assets.
 - (5) One provides endorsements/guarantees for the other totaling one-third or more of the latter's total assets.
3. Entities where our company and the other entity mutually invest in each other, each holding one-third or more of the total voting shares or capital of the other



entity, and mutually having direct or indirect control over the other entity's personnel, finance, or business operations.

4. Entities where our company and the other entity have half or more of the directors, supervisors, and general manager in common. Calculation of this figure shall include the spouses, children, and relatives within the second degree of kinship of such persons.
5. Entities where more than half of the total voting shares or capital of our company and the other entity are held or contributed by the same shareholders.
6. Entities where the other company invests in our company under the equity method of valuation, and such other company and its related parties together hold the majority of the total issued voting shares of our company, or where our company invests in the other company under the equity method of valuation, and our company and its related parties together hold the majority of the total issued voting shares of such other company."

Calculation of the number of shares held by or the amount of capital contributions to another company made by our company shall include the following shares or capital contributions:

- (1) The shares of or capital contributions to such other company held by or made by a controlled company of our company.
- (2) The shares held by or capital contributions made by a third party on behalf of our company.
- (3) The shares held by or capital contributions made by a third party on behalf of a controlled company of our company.

Items 4. to 6. are not applicable if relevant evidence is provided to prove the absence of control or subordinate relationships.

Article 2:

Entities that meet any of the following criteria are considered specified companies of our company:

- (1) It holds 20 percent or more and no more than 50 percent of the total number of issued shares of our company.
- (2) The company, together with its directors, supervisors, and shareholders holding more than 10 percent of the total number of shares, holds an aggregate total of 30 percent or more of the total number of issued shares of our company, and there is a record of financial or business transactions between it and our company. The shareholdings of any of the aforesaid persons include the shares held by the spouse, any minor child, or by the person under others' names.
- (3) Our company's consolidated operating revenue comes from the company and its



affiliated enterprises, accounting for 30 percent or more.

- (4) The total volume or total purchase amount of our company's principal raw materials (those accounting for 30 percent or more of the total procurement costs and are indispensable and key raw materials in product manufacturing) or principal products (those accounting for 30 percent or more of the total operating revenue) comes from the company and its affiliated enterprises, accounting for 50 percent or more.

Article 3:

Entities that meet any of the following criteria are considered related parties of our company:

Defined according to Article 18 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Entities that meet any of the following criteria are considered affiliated enterprises of our company:

Defined according to Article 369-1 of the Company Act, which are independent entities with the following relationships:

- (1) A relationship of control or subordination.
- (2) A relationship of mutual investment. In determining whether a relationship of control or subordination under the preceding subparagraph exists, the substance of the relationship shall be considered in addition to the legal form.

Article 4:

Transactions with group enterprises, specific companies, or related parties refer to the transfer of resources or obligations between our company and group enterprises, specific companies, or related parties, regardless of whether there is payment of consideration.

Article 5:

Transactions between our company and group enterprises, specific companies, or related parties include but are not limited to:

1. Sales.
2. Purchases.
3. Property transactions and long-term equity investments.
4. Financing.
5. Endorsements and guarantees.

Article 6:



Our company should consider the overall operational activities and establish effective internal control systems for transactions with group enterprises, specific companies, and related parties. These systems should be continuously reviewed to adapt to changes in the internal and external environment, ensuring their design and implementation remain effective.

Our company shall ensure that any subsidiary develops an effective internal control system, taking into account the laws and regulations of the jurisdiction in which the subsidiary is located and the nature of its operations. For any group enterprises, specific companies, and related parties that are not public companies, our company shall still, in consideration of the degree of influence they have on our company's business and finances, advise them to develop effective systems for internal control and for managing financial, business, and accounting matters.

Article 7:

In addition to implementing the relevant internal control systems established by the company, the supervision of the management of affiliated enterprises should also pay attention to the following matters:

- (1) This company shall obtain an appropriate number of director and supervisor seats in the affiliated enterprise in accordance with the percentage of the shares it holds.
- (2) A director that our company assigns to an affiliated enterprise shall regularly attend the affiliate's board meetings, and in order to monitor its operation, shall carefully review its corporate objectives and strategy, financial position, business performance, cash flows, and important contracts, as reported by the various members of the affiliate enterprise's management. The director assigned to the affiliated enterprise shall ascertain the cause of any irregularity found, compile a record, and report the matter to the chairperson of our company.
- (3) A supervisor assigned to an affiliated enterprise by our company shall supervise the affiliate's business operations, investigate its financial and business conditions, and review its books, records, and audit reports, and may also request reports from the affiliate's board of directors or managerial officers. For any irregularity that may be found, the supervisor assigned to the affiliate shall ascertain the cause, compile a record, and report to the chairperson of our company.
- (4) Our company shall assign competent personnel to assume important positions at its affiliated enterprise, such as general manager, financial officer, or internal audit officer, in order to assume the duties and responsibilities of management, decision-making, and supervision and evaluation.



- (5) Our company, in consideration of the type of business, scale of operations, and number of personnel of a subsidiary, shall instruct the subsidiary in the procedures and methods for establishing an internal audit unit and adopting internal control system self-inspection operations.
- (6) In addition to reviewing the audit reports or self-inspection reports submitted by each subsidiary, the internal audit personnel of our company must also carry out audits of the subsidiaries on a scheduled or unscheduled basis. After audit findings and recommendations have been presented, they shall instruct the audited subsidiaries to make any necessary corrections, and shall prepare follow-up reports on a regular basis to ensure that the subsidiaries have taken appropriate corrective measures in a timely manner.
- (7) Subsidiaries of our company shall regularly submit monthly financial statements for the preceding month, including balance sheets, income statements, statements of expenses, statements of cash flow, accounts receivable aging schedules and statements of delinquent accounts receivable, aging inventory analyses, and statements of loans to others and endorsements/guarantees. In the event of irregularities, analysis reports shall also be submitted to allow management and control by our company. Other affiliated enterprises in which our company invests under the equity method of valuation shall also regularly submit financial statements for the preceding quarter, including balance sheets and income statements, for analysis and review by our Corporation.

Article 8:

A managerial officer of our company may not concurrently serve as a managerial officer of any affiliated enterprise of our company, and shall not operate the same type of business as our company, either on the officer's own behalf or with another party, unless otherwise approved by a resolution of the board of directors. The division of powers and responsibilities between our company and its affiliated enterprises with respect to personnel management shall be clearly identified, and personnel transfers between the two shall be avoided. However, where personnel support or transfer is indeed necessary, the scope of work, division of powers and responsibilities, and allocation of costs shall be specified in advance.

Article 9:

Our company shall establish an effective system of communication with each affiliated enterprise with respect to financial and business matters, and to mitigate credit risks, shall regularly conduct comprehensive risk assessments of their banks, principal clients, and suppliers. With respect to an affiliated enterprise with which it has financial and



business interactions, our company shall especially maintain close control over material financial and business items for the purpose of risk management.

Article 10:

Price terms and payment methods shall be expressly stipulated for any business interaction between our company and any related party, group enterprise, or specific company. The purpose, pricing, and terms of a transaction, and its formal and substantive nature and the related handling procedures, shall not differ markedly from those of a normal transaction with a non-related party, nor may they be obviously unreasonable.

When business needs require the purchase of finished products, semi-finished products, or materials from a related party, group enterprise, or specific company, purchasing personnel shall thoroughly evaluate the fairness of the price quoted by the related party based on market prices and other transaction terms and conditions. Except in special circumstances, or given advantageous conditions that differ from those of ordinary suppliers, under which the granting of preferential pricing or terms of payment can be reasonably stipulated, any other prices and payment terms shall be commensurate with those offered to ordinary suppliers.

Price quotes for the sale of any finished products, semi-finished products, or materials to a related party, group enterprise, or specific company shall be made with reference to current market prices. Except in cases of long-term cooperation or other special factors that are different from ordinary clients, under which reasonable stipulations may be made to grant preferential pricing or terms of payment, any other prices and payment terms shall be commensurate with those offered to ordinary clients.

For professional or technical services provided between our company and a related party, group enterprise, or specific company, both parties shall enter into a contract stipulating the scope of the services, fees charged, time period, payment terms, and after-sales service. The contract should be handled in accordance with the company's Measures for Delegation of Responsibility, and all terms of the contract should comply with general business practices.

By the end of each month, the accounting personnel of both our company and its related parties shall perform cross checks of the purchases and sales of goods between them for the preceding month and the related balances of accounts payable and receivable. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.



Article 10-1

For purchases and sales of goods, professional or technical services provided between our company and a related party, group enterprise, or specific company, where the transaction amount during a whole year is expected to be ten percent of our company's most recent total consolidated assets or net value of consolidated business income in the most recent year, in addition to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, or other than transactions between our company and its subsidiary or between its subsidiaries, the following information shall be submitted to the board of directors for approval before the transactions may proceed:

- (1) Items, purpose, necessity, and projected benefits of the transactions.
- (2) The reason for choosing the related party as a trading counterparty.
- (3) The calculation principle of the transaction price and the projected limit of annual transaction value.
- (4) Description of whether transaction terms are consistent with regular commercial terms and that these terms will not damage the company interest or shareholder equity.
- (5) Restrictions on transaction and other important terms and conditions.

The following particulars about the transactions with related parties in the preceding paragraph shall be reported at the next shareholders' meeting after the end of a year:

- (1) Actual transaction value and terms and conditions.
- (2) Whether the calculation principle of the transaction price approved by the board of directors has been followed.
- (3) Whether the total value is under the limit on annual transaction value approved by the board of directors. If the total amount is above the limit, describe the reason, necessity, and fairness.

Article 11:

Asset transactions (including real estate, equipment or its usage rights, securities, intangible assets or their usage rights, or membership certificates) between our company and group enterprises, specific companies, or related parties shall be handled in accordance with our company's "Procedures of Acquisition or Disposal of Assets."

In an acquisition of real property or its right-of-use assets from a related party, if the actual transaction price is higher than the appraised transaction cost, and no objective evidence can be presented and no concrete opinion that the transaction is reasonable can be obtained from a professional appraiser and a CPA, the audit committee shall thoroughly review the transaction and determine whether it may prejudice the rights and interests of our company and its shareholders, and when necessary, shall refuse to



enter into the transaction. The audit committee shall also notify the board of directors to stop the transaction when necessary.

For transactions involving the acquisition or disposal of real property or its usage rights from a related party, or other assets besides real property or its usage rights, where the transaction amount reaches 20% of our company's paid-in capital, 10% of our company's total assets, or NT\$300 million or more, the actual transaction details shall be reported at the next shareholders' meeting after the end of the year. However, this does not apply to the purchase and sale of domestic government bonds, bonds with repurchase or resale conditions, or the subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

Article 12:

When there is financial lending between our company and group enterprises, specific companies, or related parties, it shall be handled in accordance with our company's "Procedures for Governing Loaning of Funds."

Article 13:

When there are endorsements or guarantees between our company and group enterprises, specific companies, or related parties, it shall be handled in accordance with our company's "Procedures-for-Endorsements-and-Guarantees."

Article 14:

The handling of sales and purchase orders between our company and group enterprises, specific companies, or related parties, as well as the management of accounts receivable and payable arising from such sales and purchases, shall be conducted in accordance with the relevant provisions of our company's internal control system for the sales and procurement cycle.

Financial transactions between our company and group enterprises, specific companies, or related parties that require resolutions by the audit committee and the board of directors shall be handled in accordance with our company's "Audit Committee Charter" and "The Rules Governing Procedure for Board of Directors Meeting."

If the audit committee finds that the board of directors or any director has violated laws, regulations, the articles of incorporation, or resolutions of the shareholders' meeting while executing business, it shall immediately notify the board of directors or the director to stop the behavior and take appropriate measures to prevent the issue from escalating. If necessary, the audit committee shall report to the relevant competent authorities or units.

**Article 15:**

Our company, in compliance with the requirements of laws and regulations regarding matters that must be publicly disclosed or filed and the deadlines for so doing, shall make timely arrangements for each subsidiary to provide the necessary financial and business information, or to retain CPAs to audit or review the financial reports of each subsidiary.

Our company shall publicly disclose the consolidated balance sheets, consolidated statements of comprehensive income, and Independent Certified Public Accountants' Audit Report covering affiliated enterprises by the deadlines for filing the annual financial reports under applicable laws and regulations. Information on any increase, decrease, or other change in affiliated enterprises shall be filed with the TWSE within 2 days of the change.

Information on any material transaction between our company and a related party shall be fully disclosed in the annual report, financial statements, the three reporting forms for affiliated enterprises, and prospectuses.

If a related party experiences financial difficulties, our company shall obtain its financial statements and related materials to assess the resulting effect on the finances, business, or operations of our company. When necessary, appropriate conservatory measures shall be adopted to safeguard our company's rights as a creditor. Under the above circumstances, in addition to specifying the resulting effect on our company's financial position in its annual report and prospectus, our company shall also make a timely announcement of material information on the Market Observation Post System (MOPS).

Article 16:

When any of the following circumstances apply to an affiliated enterprise, our company shall make a public disclosure and regulatory filing on its behalf:

- (1) For a subsidiary whose shares have not been publicly issued domestically, if the dollar amount of the subsidiary's acquisition or disposal of assets, endorsements or guarantees for others, and loans of funds to others meets the criteria for public disclosure and regulatory filing.
- (2) If the parent or the subsidiary undergoes bankruptcy or reorganization proceedings pursuant to applicable laws and regulations.
- (3) If a major policy is adopted by resolution of the affiliated enterprise's board of directors that has a material effect on the rights and interests of the shareholders or the securities prices of our company.



- (4) If any subsidiary meets the criteria for the release of material information as stipulated in the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities," such information shall be announced.

III. Effectiveness and Amendments

This regulation is effective upon approval by the board of directors and amendments follow the same procedure.