



☒ Initial Issuing

☐ Modification

☐ Obsolete

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#### Article 1: Objectives

To ensure sound financial and business interactions between the Company and its 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 between the Company and its related parties, these Regulations are adopted pursuant to Article 17 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.

#### Article 2: Scope of Application

Except as otherwise provided by law and regulation or by the articles of incorporation, financial and business matters between the Company and any of its related parties shall be handled in accordance with the provisions of these Regulations.

#### Article 3: Definitions

- 3.1 The term “related party” referred herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 3.2 The term "affiliated enterprise" as used herein means an enterprise that, in accordance with Article 369-1 of the Company Act, exists independently and has either of the following relationships with the Company:
  - I. A relationship of control or subordination.
  - II. 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: Internal Control and Supervision

- 4.1 Planning
  - 4.1.1 The Company shall establish an effective internal control system designed for transactions with related parties (including affiliated enterprises) in regard to its overall operational activities and shall continue to review the system in order to adapt to changes in the internal and external environment and ensure that the system's design and operation remain effective.
  - 4.1.2 The 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



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<p>the nature of its operations. For any related party that is not a public company, the Company shall still, in consideration of the degree of influence it has on the Company's business and finances, require that it develop effective systems for internal control and for managing financial, business and accounting matters.</p> <p>4.1.3 The 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, the Company shall especially maintain close control over material financial and business items for the purpose of risk management.</p> <p>4.2 In addition to implementing the adopted internal control system, the Company shall pay close attention to the following matters when exercising supervision over the operations and management of its affiliated enterprises:</p> <p>4.2.1 The 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.</p> <p>4.2.2 A director that the 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 or general manager of the Company.</p> <p>4.2.3 A supervisor assigned to an affiliated enterprise by the 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 or general manager of the Company.</p> <p>4.2.4 The Company shall assign competent personnel to assume important positions at its affiliated enterprise, such general manager, financial officer, or internal audit officer, in order to assume the duties and responsibilities of management, decision-making and</p>		



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<p>supervision and evaluation.</p> <p>4.2.5 A managerial officer of the Company may not concurrently serve as a managerial officer of any affiliated enterprise of the Company, and shall not operate the same type of business as the 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 the 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.</p> <p>4.3 In addition to implementing the adopted internal control system, the Company shall pay close attention to the following matters when exercising supervision over the operation and management of its subsidiaries:</p> <p>4.3.1 The 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.</p> <p>4.3.2 In addition to reviewing the audit reports or self-inspection reports submitted by each subsidiary, the internal audit personnel of the 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.</p> <p>4.3.3 Subsidiaries of the Company shall regularly submit monthly financial statements for the preceding month, including balance sheets and income statements. In the event of irregularities, analysis reports shall also be submitted to allow management and control by the Company. Other affiliated enterprises shall also regularly submit financial statements for the preceding quarter, including balance sheets and income statements, for analysis and review by the Company.</p>		



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#### Article 5: Management of Related Party Transactions

- 5.1 Any lending of funds or endorsement and guarantee between the Company and its related parties shall be handled in accordance with the “Procedures for Loaning Funds to Others” and the “Regulations Governing the Implementation of Endorsement and Guarantee” prescribed by the Company.
- 5.2 Any asset transaction, derivative trading, merger, demerger, acquisition, or share transfer between the Company and a related party shall be conducted in accordance with the “Procedures for the Acquisition or Disposal of Assets” prescribed by the Company.
- 5.3 Any acquisition or disposal of real property or right-of-use assets from or to any of its related party shall be handled in accordance with the “Procedures for the Acquisition or Disposal of Assets” prescribed by the Company.
- 5.4 Price terms and payment methods shall be expressly stipulated for any business interaction between the Company and any related party. 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.
- 5.5 When business needs require the purchase of finished products, semi-finished products, or materials from a related party, 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.
- 5.6 Price quotes for the sale of any finished products, semi-finished products, or materials to related party 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.
- 5.7 For professional or technical services provided between the Company and a related party, 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 shall be implemented after approval by the



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responsible supervisor, and all contract terms and conditions shall comply with normal business practice.

5.8 For purchases and sales of goods, professional or technical services provided between the Company and a Related Party, the transaction amount of which during a whole year is expected to be five percent of the Company's most recent total consolidated assets, in addition that the Regulations Governing the Acquisition and Disposal of Assets by Public Companies shall apply, or other than the transactions between the Company and its subsidiaries or between subsidiaries, the following information shall be submitted to the board of directors for approval before the transactions may proceed:

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

5.9 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:

- I. Actual transaction value and terms and conditions.
- II. Whether the calculation principle of the transaction price approved by the board of directors has been followed.
- III. 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 6: Review and Approval

- 6.1 With respect to any financial or business interaction between the Company and any related party that requires a resolution of the board of directors, full consideration shall be given to each independent director's opinion. Specific opinions by independent directors expressing assent or dissent and the reasons for dissent, shall be included in the minutes of board meetings.
- 6.2 When a director him/herself or the corporation he/she represents is an interested party with respect to a particular agenda item and there is a likelihood that the company's interest may be compromised, that director





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shall enter into recusal and may neither participate in the discussion of nor vote on that item nor exercise voting rights as proxy for another director. Directors shall maintain self-discipline among themselves and may not enter into relationships of inappropriate mutual support with other directors.

- 6.3 If a director's spouse, blood relatives within the 2nd degree of relationship, or a company controlled by that director is an interested party with respect to an agenda item as mentioned in the preceding paragraph, the director him/herself will be deemed as an interested party with respect to that agenda item.
- 6.4 Upon discovering that, in the course of their duties, the board of directors or a director has committed a violation of law or regulation, the articles of incorporation, or a shareholders meeting resolution, a supervisor shall immediately notify the board of directors or the individual director to cease the misconduct, and shall take appropriate measures to curb expansion of the misconduct. When necessary, a supervisor shall also file a report with the relevant regulatory authority or agency.

#### Article 7: Information Disclosure

- 7.1 The 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 the provision by each subsidiary of required financial and business information, or to retain CPAs to audit or review the financial reports of each subsidiary.
- 7.2 The Company shall publicly disclose the consolidated balance sheets, consolidated statements of comprehensive income and CPA secondary review reports covering affiliated enterprises by the deadlines for the filing of 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 or TPEX within 2 days of the change.
- 7.3 Information on any material transaction between the Company and a related party shall be fully disclosed in the annual report, financial statements, the three reporting forms for affiliated enterprises and prospectuses.
- 7.4 If a related party experiences financial difficulties, the Company shall obtain its financial statements and related materials in order to assess the resulting effect on the finances, business or operations of the Company and when necessary, appropriate conservatory measures shall be adopted to



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<p>safeguard the Company's rights as a creditor. Under the above circumstances, in addition to specifying the resulting effect on the Company's financial position in its annual report and prospectus, the Company shall also make a timely announcement of material information on the Market Observation Post System (MOPS).</p> <p>7.5 When any of the following circumstances applies to an affiliated enterprise, the Company shall make a public disclosure and regulatory filing on its behalf:</p> <p>7.5.1 For a subsidiary whose shares have not been publicly issued domestically, 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.</p> <p>7.5.2 The subsidiary undergoes bankruptcy or reorganization proceedings pursuant to applicable laws and regulations.</p> <p>7.5.3 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 the Company.</p> <p>7.5.4 Any matter regarding the subsidiary of the Company constitutes material information required to be announced under the provisions of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities and of the GreTai Securities Market Procedures for Verification and Disclosure of Material Information of Companies with TPEx-Listed Securities.</p> <p>Article 8: These Regulations, and any amendments hereto, shall be implemented after adoption by the board of directors.</p>		