

Rules Governing Financial and Business Matters Between Far Eastern New Century Corporation and its Related Parties

Stipulated Date : 2023.11.10

Article 1

To ensure sound financial and business interactions between Far Eastern New Century Corporation(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 endorsements and guarantees, and loans of funds between the Company and its related parties, the "Rules Governing Financial and Business Matters Between Far Eastern New Century Corporation and its Related Parties"(this "Rule") is hereby stipulated pursuant to Article 17 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".

Article 2

Unless otherwise provided by laws and regulations or by the articles of incorporation of the Company, financial and business matters between the Company and any of its related parties shall be governed by the provisions of this Rule.

Article 3

The term "related party" as used herein shall be determined in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

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:

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 paragraph exists, the substance of the relationship shall be considered in addition to the legal form.

Article 4

The Company shall establish an effective internal control system 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.

The Company shall supervise that the subsidiaries develop an effective internal control system after considering the laws and regulations of the jurisdiction in which the subsidiaries are located and the nature of their operations. For any related party that is not a public company, the Company shall still, in consideration of the extent of impact that it could have on the Company's business and finances, require it develops effective systems for internal control and for managing financial, business, and accounting matters.

Article 5

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 affiliated enterprises:

1. The Company is suggested to obtain appropriate numbers of director and supervisor seats in the affiliated enterprises in accordance with the proportion of shares it holds.
2. A director that the Company assigns to an affiliated enterprise shall regularly attend the affiliate's board meetings. To monitor the operation of the affiliated enterprise, the assigned director aforesaid shall carefully review its corporate

objectives and strategy, financial position, business performance, cash flows, and important contracts, as reported by the members of the management of the affiliate enterprise. For any irregularity that may be found, the director assigned to the affiliated enterprise shall ascertain the cause and report such event to the Chairman or General Manager of the Company.

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, documents, and audit reports, and may also request the Board of Directors or managerial officers of the affiliated enterprise to submit reports. For any irregularity that may be found, the supervisor assigned to the affiliated enterprise shall ascertain the cause and report such event to the Chairman or General Manager of the Company.
4. To acquire the duties and responsibilities of management, decision-making, supervision and evaluation, the Company shall assign competent personnel to assume important positions at its affiliated enterprise as needed, such as general manager, financial officer, or internal audit officer.
5. The Company is suggested, in consideration of the type of business, scale of operations, and number of personnel of a subsidiary, instruct the subsidiary in establishing an internal audit unit and formulating the procedures and methods of 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 the Company shall also execute audit operations on the subsidiaries on a regular or irregular 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 the Company shall regularly submit financial statements of the preceding quarter on a regular basis (before the 15th day of each quarter) , including balance sheets, profit and loss statement, etc., and before the 10th day of each month, submit the monthly statements of loaning of funds to others and making of endorsements/guarantees. In the event of any irregularities, analysis reports shall also be attached to the Company for management and control. Other affiliated enterprises shall also regularly (before the 15th day of each quarter) submit financial statements for the preceding quarter, including balance sheets and profit and loss statements for the Company's analysis and review.

Article 6

A managerial officer of the Company may concurrently serve as a managerial officer in any affiliated enterprise. Unless otherwise approved by a resolution of the Board of Directors, a managerial officer of the Company shall not engage in the business operations similar to those of the Company, either on his/her own or with others. The division of personnel management with respect to authorities and responsibilities of the personnel between the Company and its affiliated enterprises shall be clearly divided, and personnel interchange between the two shall be avoided. However, if there is a genuine need for support or transfer, the Department of Human Resource shall submit a request for approval for such personnel management.

Article 7

The Company shall establish an effective financial and business communication system with each affiliated enterprise. Moreover, to mitigate credit risks, the Company shall conduct comprehensive risk assessments on their banks, principal clients, and suppliers. With respect to an affiliated enterprise with which the Company has financial and business interactions, the Company shall especially monitor its material financial and business matters at all times for risk management.

Article 8

Any loaning of funds or making of endorsements/guarantees between the Company and its related party shall be carefully assessed and carried out in compliance with the provisions of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, and the provisions of the Company’s bylaws of “Procedures for Lending of Capital to Others”, “Procedures for Endorsements and Guarantees”.

The Company shall properly implement subsequent control measures with respect to loaning of funds or making of endorsements or guarantees. When there is a likelihood of overdue claims or the occurrence of loss, appropriate protective measures shall be adopted to safeguard the rights and interests of the Company.

Article 9

Price terms and payment methods shall be expressly stipulated for dealings between the Company and any related party, and the purpose, price, conditions, substance and form of the dealings with any related party, as well as the relevant processing procedures, shall not appear significantly disproportionate or evidently unreasonable situations compared to those of normal transactions with a non-related party.

When purchasing finished products, semi-finished products, and raw materials from a related party due to business needs, purchasing personnel shall comprehensively evaluate the reasonableness of the related party’s quotation based on market prices and other transaction conditions. Unless there are special factors, or exceptional conditions that differ from those of ordinary suppliers, where the preferential pricing or terms of payment can be agreed upon reasonably, any other prices and payment terms shall be commensurate with those of ordinary suppliers.

When selling finished products, semi-finished products, or raw materials to a related party, quotation shall refer to prevailing market prices at that time. Unless there are long-term cooperation or other special factors that differ from ordinary clients, where

the preferential pricing or terms of payment can be agreed upon reasonably, any other prices and payment terms shall be commensurate with those offered to ordinary clients. The provision of labor or technical services between the Company and a related party shall be governed by a contract signed by both parties. The contract shall stipulate the terms concerning services details, service fees, period, payment terms, and after-sales service. All contract terms and conditions shall conform to general business practice. The accounting personnel of both the Company and its related parties shall mutually perform cross checks of the purchases and sales of goods between them, and balances of accounts payable and receivable every quarter. If there are any substantial discrepancies, the reasons shall be identified and reconciliation statements shall be prepared.

Article 10

When the Company engages in transactions involving sales, purchases, labor, or technical services with related parties, if the accumulated transaction amount for the entire year reaches ten percent of the Company's most recent total consolidated assets or net value of consolidated business income for the latest year, except where the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" are applied, or where the transactions are 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 take place:

1. The items, purpose, necessity, and expected benefits of the transactions.
2. The reason for choosing the related party as a transaction counterparty.
3. The calculation principle of the transaction prices and the estimated limit of annual transaction value.
4. Explanation of whether the transaction terms comply with general commercial terms and do not damage the Company's interest and shareholders' equity.
5. Restrictions on transaction and other substantial terms and conditions.

For the related-party transactions approved by the Board of Directors in the preceding paragraph, the following matters shall be reported to the latest shareholders meeting after the end of a year:

1. Actual transaction value and conditions.
2. Whether the calculation principle of the transaction price approved by the Board of Directors has been followed.
3. Whether or not the total annual transaction amount has exceeded the limit approved by the Board of Directors. If the total amount has surpassed the approved limit, the Company shall explain the reason, necessity, and rationale.

Article 11

Any asset transaction, derivatives trading, corporate merger, division, acquisition, or share transfer between the Company and a related party, shall be processed in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, and the provisions of the Company’s bylaws “Procedures for Acquisition and Disposition of Assets”.

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party, in which the transaction amount reaches 20 percent or more of the Company's paid-in capital, 10 percent or more of the Company’s total assets, or NT\$300 million or more, it is required to engaged the certificated public accountant (“CPA”) to provide an opinion on the reasonableness of related-party transaction.

Article 12

If the financial or business interactions between the Company and related parties require and subject to a resolution of the Board of Directors, full consideration shall be given to the opinions of each independent director. In the event of dissenting opinion

issued by any independent director, the specific dissenting opinion and reasons for dissent, shall be included in the meeting minutes of Board of Directors .

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 prejudiced, he/she shall recusal voluntarily and abstain from participating in discussion and voting on that agenda item. Furthermore, he/she is also prohibited from acting as a proxy for other directors to exercise their voting rights on that matter.

Where the spouse or a blood relative within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, the director shall be deemed to be an interested party with respect to that agenda item.

The Audit Committee shall promptly notify the Board of Directors or directors to cease their action, upon discovering that there is a violation of the laws, regulations, the articles of incorporation of the Company, or a shareholders meeting resolution. The Audit Committee shall also take appropriate measures to prevent further expansion of such malpractice. If necessary, the Audit Committee shall also report such events to the relevant regulatory authority or agency.

Article 13

The Company shall make timely arrangements and require each subsidiary to provide its necessary financial and business information in accordance with the legal requirements regarding the matters of public announcement, report and the deadlines thereof, or engage CPAs to audit or review the financial reports of each subsidiary.

The Company shall publicly announce 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. If there is any change in the increase, decrease in the affiliated enterprises, the alteration information shall be reported to the TWSE within 2 days of the change.

Material transaction between the Company and related parties shall be fully disclosed in the annual report, financial statements, the three reports and statements for affiliated enterprises stipulated under Article 369-12, the Company law, and prospectuses.

If a related party experiences financial difficulties, the Company shall obtain its financial statements and relevant information for assessing the resulting impact on the Company's finances, business, or operations. If necessary, appropriate measures shall be taken to safeguard the Company's rights as a creditor.

Article 14

If the Company's subsidiaries have matters that is required to issue material information under the provisions of "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities", the Company shall make a public announcement and report relevant information on its behalf.

Article 15

This Rule, and any amendments hereto, shall be approved by the Audit Committee, and then resolved by the Board of Directors.

**In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*