

# TSC Auto ID Technology Co., Ltd.

## Rules Governing Financial and Business Matters Between this Corporation and its Related Parties

1. 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 Rules are adopted pursuant to Article 17 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
2. 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 Rules.
3.
  - (1) The term "related parties" referred to herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The name list of the related parties of a juristic person shall be determined based on the investment relationship chart released by the Company's parent company. The name list of the related parties of a natural person is incorporated into the name list of applicable objects under the "Operating Procedure for Management of Prevention of Insider Trading and Handling of Internal Material Information."
  - (2) The term "affiliated enterprise" referred to 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.
4.
  - (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 continually 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.

- (2) Contracts executed with related parties shall be handled in accordance with the Company's "Regulations Governing Execution of Contracts and Entry of Seals."
  - (3) The Company's subsidiaries shall also follow the Regulations when engaging in transactions with related parties.
5. The Company's supervision of affiliated enterprises' business management shall follow the Company's "Regulations Governing Supervision and Management of Subsidiaries."
  6. Managerial officers of the Company may not concurrently serve as a managerial officer of any of its affiliated enterprises, 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. 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. The allocation of costs shall follow the Company's "Regulations Governing Business Trips."
  7. The Company shall establish an effective system of communication with each affiliated enterprise with respect to financial and business matters and control risks in accordance with the Company's "Regulations Governing Supervision and Management of Subsidiaries."
  8. Any loans or endorsements/guarantees between the Company and a 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 Company's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee."
  9. (1) 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 be different from transactions with a non-related party.

- (2) When business needs require the purchase of finished products, semi-finished products, or raw materials and supplies from a related party. The quotation and payment terms shall be handled in accordance with the Company's "Operating Procedure for Procurement Management."
- (3) For the sale of finished products, semi-finished products, or raw materials and supplies to a related party, the quotation and payment terms shall be handled in accordance with the Company's "Regulations Governing Business Management."
- (4) 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 quotation and payment terms shall be handled in accordance with the Company's "Regulations Governing General Procurement Management."
- (5) By the end of each month, the accounting personnel of both the Company and its related parties shall perform cross checks of the transactions 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.

9-1. For purchases and sales of goods, or professional and technical services provided between the Company and a related party, the transaction amount of which during a whole year is expected to be 5% of the Company's most recent total consolidated assets or net worth of the Company's consolidated operating revenue in the most recent year, in addition to the application of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, or other than the transactions between the Company and its parent company or 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 transaction 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's interest or shareholders' equity.
- (5) Restrictive covenants and other important stipulations associated with the transaction.

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

- (1) Actual transaction value and terms.
- (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 the annual transaction value approved by the Board of Directors. If the total amount is above the limit, describe the reason, necessity, and fairness.

- 10. 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 "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the Company's "Asset Acquisition and Disposal Procedures."
- 11. When the Company acquires or disposes of real estate or related right-of-use assets from or to a related party, or when it acquires or disposes of assets other than real estate or related right-of-use assets from or to a related party and the transaction amount reaches 20% of the Company's paid-in capital, 10% of the Company's total assets, or NT\$300 million, the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the Company's "Asset Acquisition and Disposal Procedures" shall apply, and the Company may not enter into any transaction contract or make a payment until the following matters have been approved by the Audit Committee and then submitted to the Board for approval.

- (1) An appraisal issued by a professional appraiser as required by related laws and regulations or the Company's "Asset Acquisition and Disposal Procedures", or a CPA opinion.
- (2) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- (3) The reason for choosing the related party as a transaction counterparty.
- (4) Information relating to appraisal of the reasonableness of the preliminary transaction terms when acquiring real property from a related party in accordance with Articles 16 and 17 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."
- (5) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.
- (6) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (7) Restrictive covenants and other important stipulations associated with the transaction.
- (8) An opinion issued by a CPA engaged to review whether the transaction with the related party conforms with ordinary commercial terms and whether or not it is damaging to the interests of the Company and its minority shareholders.

If the Company has performed a transaction under Paragraph 1 with a related party, information about the actual transaction (including the actual price and terms of the transaction, and the information described in the subparagraphs of Paragraph 1) should be reported at the most recently shareholders' meeting after the end of a year.

12. With respect to any financial or business interactions between the Company and any related party that requires a resolution of the Board of Directors, the Company's "Rules of Procedure for Board of Directors Meetings."

13.
  - (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.
  - (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 changes in affiliated enterprises shall be filed with the TWSE or TPEx within two days of the change.
  - (3) Information on any material transactions 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.
  - (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, and operations of the Company, and when necessary, appropriate conservatory measures shall be adopted to 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).
14. Where the Company's affiliated enterprises have any matters to be disclosed and filed in accordance with the Company's "Operating Procedure for Management of Prevention of Insider Trading and Handling of Internal Material Information," the Company's Finance Dept. shall make a public disclosure and regulatory filing on behalf of them.

15. Formulation, Implementation and Amendment:

- (1) The formulation and implementation of, and amendment to, the Regulations shall be approved by one-half or more of all Audit Committee members and submitted to the Board of Directors for a resolution.
- (2) If the approval of the Audit Committee members is not obtained, the same may be implemented only if approved by two-thirds of all directors. The Audit Committee's resolution shall also be recorded in the Board of Directors' meeting minute.
- (3) When a matter is submitted for discussion by the Board of Directors, the Board of Directors shall take into full consideration the opinion of each Independent Director. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.
- (4) The terms "all Audit Committee members" and "all directors" referred to herein shall be counted as the actual number of persons currently holding those positions.