

# **Fu Chun Shin Machinery Manufacture Co., Ltd.**

## **Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises**

### **Article 1**

To ensure sound financial and business interactions between this Corporation and its affiliated enterprises, 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 this Corporation and its affiliated enterprises, these Rules are adopted pursuant to Article 17 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

### **Article 2**

Except as otherwise provided by law and regulation or by the articles of incorporation, financial and business matters between this Corporation and any of its affiliated enterprises shall be handled in accordance with the provisions of these Rules.

### **Article 3**

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 this Corporation:

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**

This Corporation shall establish an effective internal control system in regard to its own and its affiliated enterprises' overall operational activities, and shall continue to review the system in order to adapt to changes in the internal and external environment, ensuring that the system's design and operation remain effective.

This Corporation 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 affiliated enterprise that is not a public company, this Corporation shall still, in consideration of the degree of influence it has on this Corporation's business and finances, require that it develop effective systems for internal control and for managing financial, business, and accounting matters.

## Article 5

In addition to implementing the adopted internal control system, this Corporation shall pay close attention to the following matters when exercising supervision over the operation and management of its affiliated enterprises:

1. The Company may appoint appropriate personnel to serve as directors or supervisors of affiliated companies to fulfill their duties, and find out the causes of material abnormalities and report to the Chairman or President of the Company.
2. This Corporation may assign competent personnel to assume important positions at its affiliated enterprise, such as the general manager, the financial officer, or the internal audit officer, in order to assume the duties and responsibilities of management, decision-making, and supervision and evaluation.
3. This Corporation, in consideration of the type of business, scale of operations, and number of personnel of a subsidiary, may instruct the subsidiary in the procedures and methods for establishing an internal audit unit and adopting internal control system self-inspection operations.
4. In addition to reviewing the audit reports or self-inspection reports submitted by each subsidiary, the internal audit personnel of this Corporation 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 basis to ensure that the subsidiaries have taken appropriate corrective measures in a timely manner.
5. Subsidiaries of this Corporation shall regularly submit financial statements, including balance sheets, income statements, and statements of loans to others and endorsements/guarantees. In the event of major irregularities, analysis reports shall also be submitted to allow management and control by this Corporation.

## Article 6

This Corporation 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 key suppliers. With respect to an affiliated enterprise with which it has financial and business interactions, this Corporation shall especially maintain close control over material financial and business items for the purpose of risk management.

#### Article 7

Any loans or endorsements/guarantees between this Corporation and an affiliated enterprise 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 with the procedures prescribed by this Corporation regarding loans to others and provision of endorsements/guarantees.

With respect to the provision of loans, endorsements, or guarantees between this Corporation and an affiliated enterprise, in accordance with the preceding paragraph shall be closely reviewed, and results of the assessment submitted to the board of directors. Loans must be approved by the Board of Directors and cannot be decided by any other person. Endorsements/guarantees may be authorized by the Board of Directors for the Chairman to handle within a specified limit, but such transactions must be ratified by the Board of Directors at the next meeting.

1. The necessity and reasonableness of loans or endorsements/guarantees.

For loans or endorsements/guarantees arising from business transactions, the amount loaned or guaranteed must be evaluated in relation to the business transaction amount. For those requiring short-term financing, the reasons and circumstances for loaning the funds must be listed.

2. The credit investigation and risk assessment of the loan or guarantee counterparty.

3. The impact on the Company's operational risks, financial condition, and shareholder equity.

4. Whether collateral is required and the assessed value of such collateral.

Subsidiaries in which the Company directly or indirectly holds more than 90% of the voting shares must obtain the approval of the Company's Board of Directors before making endorsements/guarantees as per Article 5, paragraph 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies." However, this restriction does not apply to endorsements/guarantees between wholly-owned subsidiaries.

Loans between the Company and its parent or subsidiaries, or among subsidiaries, shall be resolved by the Board of Directors, which may authorize the Chairman to make disbursements to the same loan counterparty within a

specified limit and period not exceeding one year.

The Company shall fully consider the opinions of independent directors, and their clear opinions in favor or opposition, along with the reasons for opposition, shall be recorded in the minutes of the Board of Directors.

Effective follow-up control measures must be implemented to safeguard the Company's interests. If there is a risk of overdue debt or loss, appropriate protective measures must be taken.

## Article 8

For professional or technical services provided between the Corporation and an affiliated enterprise, 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 managers with decision-making authority of this Corporation, and all contract terms and conditions shall comply with normal business practice.

The accounting personnel of the Company and the related party shall regularly check the balances of payments arising from their transactions with each other. If there is any difference, they shall understand the reasons and prepare a reconciliation statement.

## Article 8-1

Where the Company purchases or sells goods, performs labor services or technical services from related parties and the estimated transaction amount for the whole year reaches 50% of the Company's most recent consolidated total assets or the most recent consolidated Except as required by the Regulations Governing the Acquisition or Disposal of Assets by the Public Company, or transactions between the Company and the parent company, subsidiaries, or between subsidiaries, the public company shall submit the following information to the board of directors for approval before proceeding with the transaction:

1. The item, purpose, necessity, and expected benefits of the transaction.
2. The reason for choosing the affiliated enterprise as a trading counterparty.
3. The calculation principles of the transaction price and the upper limit of the expected transaction amount for the whole year.
4. A description of whether the transaction conditions comply with normal commercial terms and do not impair the interests of the Company and shareholders.
5. Restrictive conditions for the transaction and other important contractual matters.

For the related party transactions approved by the board of directors in the preceding paragraph, the following matters shall be reported to the nearest

shareholders' meeting after the end of the year:

1. The actual transaction amount and the terms and conditions.
2. Whether the transaction price is calculated in accordance with the principles approved by the board of directors.
3. Whether the transaction amount has not exceeded the upper limit of the annual transaction amount approved by the board of directors. If the upper limit of the transaction amount has been exceeded, the reason, necessity and reasonableness thereof shall be explained.

## Article 8-2

In business dealings with related parties, the Company shall clearly establish pricing conditions and payment methods, and ensure that the purpose, price, conditions, substance, form, and relevant procedures of the transaction do not significantly differ or seem unreasonable compared to normal transactions with unrelated parties.

For purchases of finished goods, semi-finished goods, or raw materials from related parties due to business needs, procurement personnel shall comprehensively assess the reasonableness of the related party's quoted prices based on market prices and other transaction conditions. Except for special factors or superior conditions different from those of general suppliers, favorable prices or payment conditions may be agreed upon based on reasonable terms, while other prices and payment conditions shall be comparable to those of general suppliers.

When selling finished goods, semi-finished goods, or raw materials to related parties, quoted prices must refer to the prevailing market prices. Except for long-term cooperative relationships or other special factors different from those of general customers, favorable prices or payment conditions may be agreed upon based on reasonable terms, while other prices and payment conditions shall be comparable to those of general customers.

Labor or technical services provided between the Company and related parties must be contracted by both parties, stipulating the service content, service fees, period, payment conditions, and after-sales service. After approval by the authorized supervisor, the contract shall be executed, and all terms shall follow general commercial practices.

## Article 9

Any asset transaction, derivative trading, merger, demerger, acquisition, or share transfer between this Corporation and an affiliated enterprise shall be conducted in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the procedures for acquisition and

disposal of assets and Regulations Governing Derivatives Transactions prescribed by this Corporation.

When acquiring or disposing of securities from related parties, or acquiring securities with related enterprises as the subject, the Company shall obtain the most recent financial statements of the target company audited or reviewed by a CPA as a reference for evaluating the transaction price before the occurrence of the transaction. Additionally, if the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million, the Company shall consult a CPA for an opinion on the reasonableness of the transaction price before the occurrence of the transaction. However, this does not apply to securities with active market quotations or where otherwise stipulated by the Financial Supervisory Commission.

When acquiring or disposing of intangible assets or their usage rights, or membership certificates from related parties, and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million, the Company shall consult a CPA for an opinion on the reasonableness of the transaction price before the occurrence of the transaction.

#### Article 9-1

When the Company acquires or disposes of real estate or its usage rights from or to related parties, or when it acquires or disposes of other assets not involving real estate or its usage rights and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million, except for the purchase or sale of government bonds, bonds with repurchase or resale conditions, or purchases or redemptions of money market funds issued by domestic securities investment trust enterprises, the following information must be submitted to the Board of Directors for approval and recognized by the supervisors before signing the transaction contract and making payments:

1. A valuation report issued by a professional appraiser or the opinion of an accountant as required by regulations.
2. The purpose, necessity, and expected benefits of the asset acquisition or disposal.
3. The reasons for selecting the related party as the transaction counterpart.

4. Related information used to assess the reasonableness of the transaction conditions in accordance with Articles 16 and 17 of the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies."
5. The original acquisition date and price, transaction counterpart, and the relationship between the transaction counterpart, the Company, and related parties.
6. A cash flow forecast for each month of the upcoming year starting from the expected contract month, and an assessment of the necessity and reasonableness of the transaction.
7. Transaction restrictions and other important agreed terms.
8. The accountant's opinion on whether the transaction with the related party complies with general commercial conditions and does not harm the interests of the Company and its minority shareholders.

For transactions involving real estate, equipment, or their usage rights where the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million, a valuation report must be obtained from a professional appraiser. If the valuation result differs by more than 20% from the transaction amount, the accountant must be consulted for a specific opinion on the reasons for the difference and the appropriateness of the transaction price. The transaction must be approved by a majority of directors present at a Board meeting attended by at least two-thirds of the directors.

If the actual transaction price for acquiring real estate or its usage rights from related parties is higher than the assessed transaction cost, and no objective evidence or specific reasonable opinion from a professional appraiser and accountant can be provided, the Board of Directors must fully assess whether the transaction harms the interests of the Company and shareholders. If necessary, the transaction should be rejected, and the supervisors must exercise their supervisory rights, notifying the Board of Directors to stop the transaction if necessary.

## Article 10

With respect to any financial or business interaction between this Corporation and any affiliated enterprise 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.

When a director is an interested party with respect to a particular agenda item, that director shall enter into recusal and may neither 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.

If a director's spouse, second-degree relatives and other blood relatives, or a company with a controlling and subordinate relationship with the director has an interest in an item at the meeting of the preceding paragraph, it shall be deemed that the director has a conflict of interest in the matter.

#### Article 11

This Corporation, 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.

#### Article 12

When any of the following circumstances applies to an affiliated enterprise, this Corporation shall make a public disclosure and regulatory filing on its behalf:

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.
2. The parent or the subsidiary undergoes bankruptcy or reorganization proceedings pursuant to applicable laws and regulations.
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 this Corporation.
4. Any matter regarding a subsidiary or the unlisted (neither TWSE nor GTSM listed) parent of this Corporation 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 GTSM Listed Securities.

### Article 13

These Rules, and any amendments hereto, shall be implemented after adoption by the board of directors.

This regulation was enacted on Dec 20, 2023.

The first amendment was made on Aug 9, 2024.