

Taiflex Scientific Co., Ltd.

Rules Governing Financial and Business Transactions between the Company and Its Related Parties

- Article 1 To ensure sound financial and business interactions between the Company and its related parties and to prevent irregular transactions as well as improper transfers of benefits with respect to purchase and sale of goods, acquisition and disposal of assets, provision of endorsements and guarantees, and provision of financing between the Company and its related parties, the Rules are established pursuant to Article 17 of the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies.
- Article 2 Unless otherwise provided by law or the Articles of Incorporation, financial and business transactions between this Company and its related parties shall be conducted in accordance with the Rules and the internal control system of the Company.
- Article 3 The term “related parties” herein is as defined in International Accounting Standard 24 “Related Party Disclosures” and Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- The term “affiliates” herein refers to enterprises which, in accordance with Article 369-1 of the Company Act, are independent of each other, but are interrelated in either of the following relations:
1. Companies having controlling or subordinate relations between them; or
 2. Companies with investments in each other.
- In determining whether the controlling or subordinate relations referred to in the preceding paragraph exist, both the substance of the relationship and the legal form shall be considered.
- Article 4 The Company shall establish an effective internal control system for related party transactions with consideration of its overall operating activities. The system shall be reviewed on an ongoing basis in response to internal and external changes in order to ensure its design and execution have remained effective.
- Article 5 Besides complying with the internal control system, the Company’s supervision of its affiliates’ operation and management shall mind the following:
1. The Company shall, in accordance with its shareholding percentage in an affiliate, secure an appropriate number of director and supervisor seats in the affiliate’s board of directors.
 2. Director(s) assigned by the Company to an affiliate shall oversee the latter’s operation by regularly attending its board meetings, where the affiliate’s objectives and strategies, financial condition, business performance, cash flows, and important contracts are presented by its management. They shall ascertain and document causes of irregularities identified and report such matters to the Company’s Chairperson or the President.

3. Supervisor(s) assigned by the Company to an affiliate shall oversee the latter's business operations, investigate its financial and business condition, and review its accounting books and records as well as audit reports. They may also request reports from the affiliate's chairperson or the president.
4. The Company shall assign competent personnel to assume important positions in affiliates. e.g., the president, the financial officer, or the internal audit officer, in order to assume the duties and responsibilities of management, decision-making, supervision and evaluation.
5. The Company shall, in consideration of the type of business, scale of operations, and number of employees of a subsidiary, instruct the subsidiary in establishing an internal audit unit and the self-inspection procedures and methods under the internal control system.
6. In addition to reviewing the audit reports or self-inspection reports submitted by subsidiaries, the Company's internal audit personnel shall conduct scheduled and unscheduled audits on subsidiaries. After the audit findings and recommendations have been submitted for approval, the personnel shall instruct the audited subsidiaries to make improvements and prepare periodic follow-up reports to ensure the subsidiaries have adopted appropriate corrective measures in a timely manner.
7. Subsidiaries shall submit financial statements of the previous month by the 10th of each month along with analysis reports on irregularities, if any, for control purpose. Other affiliates shall submit their financial statements to the Company on a regular basis for analysis and review.

Article 6 Managerial officers of the Company shall not serve concurrently as managerial officers in affiliates of the Company, nor shall they engage in the same line of business as the Company, either on their own or with other parties, unless otherwise approved by a resolution of the board. The division of powers and responsibilities between the Company and its affiliates with respect to personnel shall be clearly defined, and personnel transfers between the two shall be avoided. Where personnel support or transfer is required, the scope of work, division of powers and responsibilities, and allocation of costs shall be specified in advance.

Article 7 The Company shall establish effective systems to communicate financial and business affairs with its affiliates and regularly conduct comprehensive risk assessments on banks as well as major customers and suppliers to mitigate credit risks. For affiliates engaging in financial and business transactions with the Company in particular, the Company shall maintain close control over their material financial and business matters for risk management purpose.

Article 8 Loans, endorsements and guarantees between the Company and its related parties shall be prudently assessed and carried out in compliance with the "Regulations Governing Lending of Funds and Making of Endorsements/Guarantees by Public Companies" as well as the Company's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement and Guarantee."

Article 9 Business transactions between the Company and its related parties shall be conducted in compliance with the “sales and collection cycle”, the “purchase and payment cycle” and the “management over related party transactions” under the Company’s internal control system. These transactions shall not differ significantly from general transactions with non-related parties, nor shall they be obviously unreasonable.

The finance and accounting departments of the Company and its related parties shall verify the dollar amounts of related party transactions every month, and understand as well as reconcile differences, if any.

Article 10 Asset transactions, derivative trading, merger, demerger, acquisition, or share transfer between the Company and its related parties shall be conducted in accordance with relevant laws and regulations and the Company’s “Procedures for Acquisition or Disposal of Assets.”

Article 11 For financial or business transactions between the Company and its related parties where a board resolution is required, opinions of each independent director shall be fully considered. Specific opinions of independent directors expressing consent or objection, and their reasons for objection, shall be included in the board meeting minutes.

For agenda items of which a director or the juridical person represented by a director has a personal interest which may impair the interest of the Company, the director shall recuse himself/herself from the discussion and voting of the agenda items and shall not exercise voting rights on behalf of another director. Directors shall exercise self-discipline and avoid improper support to one another.

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 the director, is an interested party to the agenda items described in the preceding paragraph, the director shall be deemed to be an interested party with respect to the agenda items.

Once the independent directors become aware that the board or a director has violated the laws and regulations, the Articles of Incorporation or resolutions of the shareholders’ meetings during the course of business, they shall immediately notify the board or the director to cease the misconduct, and take appropriate measures to stop the spread of the breach. Where necessary, the independent directors shall also file a report with the relevant regulatory authorities or agencies.

Article 12 The Company shall make timely arrangements for subsidiaries to provide financial and business information required, or retain CPAs to audit or review the financial reports of subsidiaries in compliance with laws and regulations concerning public disclosures and filings as well as the deadlines thereof.

The Company shall publicly disclose the consolidated balance sheets, the consolidated statements of comprehensive income, and the CPA review reports of affiliates by the deadlines for annual financial report filings under applicable laws and regulations. Changes in affiliates shall be filed with the TWSE within two days of the occurrences.

Material transactions between the Company and its related parties shall be fully

disclosed in the annual report, the financial statements, the three major reports concerning affiliates as well as the prospectuses.

If a related party experiences financial difficulties, the Company shall obtain its financial statements and related information in order to assess the possible impact on the Company's finances, business, or operations. Where necessary, appropriate measures shall be adopted to safeguard the Company's rights as a creditor. In the event of such circumstances, besides specifying the impact on the Company's financial position in the annual report and the prospectus, the Company shall make a timely material information disclosure on the Market Observation Post System.

Article 13 When any of the following circumstances applies to an affiliate, the Company shall make public disclosures and regulatory filings on behalf of the affiliate:

1. For a subsidiary whose shares have not been publicly issued in the domestic market, the dollar amount of its acquisition or disposal of assets, provision of endorsements or guarantees, or loans to others meets the criteria for public disclosure and regulatory filing.
2. Matters pertaining to bankruptcy or reorganization proceedings undergone by the parent company or the subsidiary pursuant to applicable laws and regulations.
3. A major policy adopted by a board resolution of an affiliate that has a material impact on the Company's shareholder rights or security prices.
4. Matters of a subsidiary or the non-TWSE nor TPEX-listed parent company of the Company constitute material information required to be disclosed under the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities."

Article 14 Matters not set forth in the Rules shall be handled in accordance with the Company's internal control system and relevant laws and regulations.

The Rules and amendments thereof come into effect upon board approval.

Article 15 The Rules were reformulated to replace the former "Procedures for Transactions with Related Parties, Specific Companies or Entities within the Group" on February 22, 2023.