

Tong Hsing Electronic Industries, 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 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 this Corporation and its related parties, these Rules are adopted pursuant to Article 17 of the Corporate Governance Best-Practice Principles for TWSE/TPEX 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 related parties shall be handled in accordance with the provisions of these Rules.

Article 3

The term "related party" referred 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 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 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.

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 related party 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. This Corporation may obtain an appropriate number of director and supervisor seats in the affiliated enterprise in accordance with the percentage of the shares it holds.

2. A director that this Corporation assigns to an affiliated enterprise shall regularly attend the affiliate's board meetings, and to monitor its operation, shall carefully review its operating results and financial reports, etc., 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 this Corporation.
3. This Corporation may 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 supervision and evaluation.
4. 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.
5. 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 shall prepare follow-up reports on a regular basis to ensure that the subsidiaries have taken appropriate corrective measures in a timely manner.
6. Subsidiaries of the Company shall regularly submit financial statements regularly, including but not limit to balance sheets, income statements and monthly endorsements/guarantees report. In the event of irregularities, analysis reports shall also be submitted to allow management and control by the Company. For subsidiaries that have public offering, can submit the consolidate financial report to the Company instead of aforementioned reports.

Article 6

A managerial officer of this Corporation may not concurrently serve as a managerial officer of any affiliated enterprise of this Corporation, and shall not operate the same type of business as this Corporation, 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 this Corporation 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.

Article 7

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 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 8

Any loans or endorsements/guarantees between this Corporation and a related party shall be carefully assessed and carried out in compliance with the provisions of the Regulations Governing Lending 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 the Company and an affiliated enterprise, the matters shall be reviewed in detail in accordance with the handling standards and operating procedures specified in the preceding paragraph, and results of the assessment submitted to the board of directors

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Article 9

For professional or technical services provided between the Company 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 the supervisor with the approval authority of this Corporation, and all contract terms and conditions shall comply with normal business practice.

The accounting personnel of both this Corporation and its related parties should regularly check the balances arising from transactions between them. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.

Article 9-1

For purchases and sales of goods, professional or technical services provided between this Corporation and a Related Party, the transaction amount of which during a whole year is expected to be fifty percent of this Corporation's most recent total consolidated assets or net value of consolidated business income in the most recent year, in addition that the Regulations Governing the Acquisition and Disposal of Assets by Public Companies shall apply, or other than the transactions between this Corporation 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 trading 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 interest or shareholder equity.
5. Restrictions on transactions and other important terms and conditions.

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 the year:

1. Actual transaction value and terms and conditions.
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 annual transaction value approved by the board of directors. If the total amount is above the limit, describe the reason, necessity, and fairness.

Article 10

Any asset transaction, derivative trading, merger, demerger, acquisition, or share transfer between this Corporation and a related party shall be conducted in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the procedures for acquisition and disposal of assets prescribed by this Corporation.

In accordance with the transactions in Paragraph 2 of Article 10 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies", the company shall update the actual transaction situation (including the actual price and terms of the transaction, and the information described in the subparagraphs of 4 the two paragraph) should be reported at the next shareholders' meeting after the end of a year.

The Company has a transaction with a related party to acquire or dispose of real estate, equipment, or their right to use assets as mentioned in the preceding paragraph. If the amount of the transaction is 20 percent or more of this Corporation's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, it shall also, before the date of occurrence, request a CPA to provide an opinion on the fairness of the transaction price, except for securities quoted on an active market or as otherwise required by the Financial Supervisory Commission.

Article 11

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

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 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.

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.

Upon discovering that, in the course of their duties, the independent directors or audit committee have 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 12

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.

The consolidated financial reports and changes of related enterprises, major transactions with related parties, and the financial turnover difficulties of related parties shall be fully disclosed in accordance with legal provisions.

Article 13

When any of the following circumstances apply 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 TPEX 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 TPEX Listed Securities.

Article 15

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

These Rules were enacted on February 27th, 2025.