

AXIOMTEK CO., LTD.

Rules Governing Financial and Business Matters 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 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 and Article 17 of Corporate Governance best practice principles of the Company.

Article 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.

Article 3

The term “related parties” as used herein shall be identified in accordance with the provisions of 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 subparagraph 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 against the transactions of related parties (including affiliated enterprise) in regard to its own 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 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, the Company shall still, in consideration of the degree of influence it has on the Company'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, the Company shall pay close attention to the following matters when exercising supervision over the operation and management of its related parties:

1. The Company shall 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 the Company assigns to an affiliated enterprise shall regularly attend the affiliate's board meetings, and in order to monitor its operation, shall carefully review its corporate objectives and strategy, financial position, business performance, cash flows, and important contracts, 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 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, records and audit reports, and may also request reports from the affiliate's Board of Directors or managerial officers. For any irregularity that may be found, the supervisor assigned to the affiliate shall ascertain the cause, compile a record, and report to the chairperson or general manager of the Company.
4. The Company shall 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.
5. The Company, in consideration of the type of business, scale of operations, and number of personnel of a subsidiary, shall instruct the subsidiary in the procedures and methods for establishing an internal audit unit and adopting 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 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.
7. Subsidiaries of the Company shall submit monthly financial statements for the preceding month according to the requirements of the Company's accounting unit, including balance sheets, income statements, statements of expenses, statements of cash flow and cash flow forecasts, accounts receivable aging schedules and statements of delinquent accounts receivable, aging inventory analyses, and statements of loans to others and endorsements/guarantees. In the event of irregularities, analysis reports shall also be submitted to allow management and control by the Company. Other affiliated enterprises shall also submit financial statements for the preceding month according to the requirements of the Company's accounting unit, including balance sheets and income statements, for analysis and review by the Company.

Article 6

A managerial officer of the Company may not concurrently serve as a managerial officer of any affiliated enterprise of the Company, 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, 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

The Company 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, the Company 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 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 with the procedures prescribed by the Company regarding loans to others and provision of endorsements/guarantees.

With respect to the provision of loans, endorsements, or guarantees between the Company and a related party, the matters set out below shall be closely reviewed, and results of the assessment submitted to the Board of Directors. Any loan of funds shall be made only by a resolution of the Board of Directors, and no other party may be authorized to decide on the matter. The Board of Directors, in accordance with the preceding paragraph, may authorize the chairperson to provide an endorsement or guarantee within a specific limit, provided it is subsequently submitted to and ratified by the next board meeting:

1. The necessity and the reasonableness of the loan or the endorsement or guarantee. When funds are loaned or an endorsement or guarantee is made because of business dealings, an assessment shall be made of whether the amount of the loan or amount of the endorsement or guarantee is commensurate with the total amount of the business involved. When short-term financing is needed, the reasons for and the circumstances surrounding the loan shall be set out.
2. A credit check and a risk assessment of the counterparty requesting the loan or the endorsement or guarantee.
3. The effects on the Company's operational risk and financial position and the rights and interests of its shareholders.
4. Whether collateral must be obtained, and an appraisal of its value.

Any endorsement or guarantee provided pursuant to Article 5, paragraph 2 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies between any subsidiaries in which the Company directly or indirectly holds 90 percent or more of the voting shares shall first be submitted for a resolution by the Board of Directors of the Company, except when an endorsement or guarantee is provided between companies in which the Company directly or indirectly holds 100 percent of the voting shares.

Any proposed loan between the Company and its parent or a subsidiary, or between its subsidiaries, shall be submitted for a resolution by the Board of Directors. The chairperson may also be authorized, with respect to a specific borrowing counterparty, and within a limit resolved by the Board of Directors and a period not to exceed 1 year, to provide an accreting loan or to make available a revolving line of credit.

The Board of Directors shall give full consideration to each independent director's opinion with respect to loans, endorsements, or guarantees between the Company and any of its related parties. 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 loan of funds for short-term financing is necessary between any two foreign companies in which the Company directly or indirectly holds 100 percent of the voting shares, the loan amount is not subject to the restriction of 40 percent of the net worth of the company making the loan. The amount of an endorsement or guarantee between two companies in which the Company directly or indirectly holds 90 percent or more of the voting shares may not exceed 10 percent of the Company's net worth, except for endorsements or guarantees between two companies in which the Company directly or indirectly holds 100 percent of the voting shares.

The Company shall properly implement subsequent control measures with respect to loans or endorsements or guarantees. When there is a likelihood of overdue claims or the occurrence of loss, the Company shall adopt appropriate conservatory measures to safeguard its rights and interests.

Article 9

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 differ markedly from those of a normal transaction with a non-related party, nor may they be obviously unreasonable.

When business needs require the purchase of finished products, semi-finished products, or materials from a related party, purchasing personnel shall thoroughly evaluate the reasonableness of the price quoted by the related party based on market prices and other transaction terms and conditions. Except in special circumstances, or given advantageous conditions that differ from those of ordinary suppliers, under which the granting of preferential pricing or terms of payment can be reasonably stipulated, any other prices and payment terms shall be commensurate with those offered to ordinary suppliers.

Price quotes for the sale of any finished products, semi-finished products, or materials to a related party shall be made with reference to current market prices. Except in cases of long-term cooperation or other special factors that are different from ordinary clients, under which reasonable stipulations may be made to grant preferential pricing or terms of payment, any other prices and payment terms shall be commensurate with those offered to ordinary clients.

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 contract shall be implemented after approval according to the approval authority form of the Company, and all contract terms and conditions shall comply with normal business practice.

By the end of each month, the accounting personnel of both the Company and its related parties shall perform cross checks of the purchases and sales of goods 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.

Article 9-1

Where the Company purchases and sells goods, carries out labor or technical service transactions to related parties, and the estimated annual transaction amount reaches 5 percent of the Company's latest consolidated total assets or the latest consolidated operating revenue, in addition to the provisions of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, or the transactions between the Company and its parent company, subsidiaries or subsidiaries, the following information shall be submitted to the Board of Directors for approval before the transaction be conducted:

1. Items, purpose, necessity and expected benefits of the transaction.
2. Reasons for selecting related parties as transaction partners.
3. The calculation principle of the transaction price and the upper limit of the expected annual transaction amount.
4. A statement on whether the transaction conditions conform to normal commercial terms and do not damage the interests of the Company and shareholders.
5. Transaction restrictions and other important agreements.

For transactions with related parties referred to in the preceding paragraph, the following matters shall be submitted to the latest shareholders' meeting report after the end of the year:

1. The actual transaction amount and conditions.
2. Whether it is handled in accordance with the transaction price calculation principles approved by the Board of Directors.
3. Whether the annual transaction amount upper limit approved by the Board of Directors has not been exceeded. If the upper limit of the transaction amount has been exceeded, the reasons, necessity and rationality shall be explained.

Article 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 procedures for acquisition and disposal of assets prescribed by the Company.

When the Company makes an acquisition of securities from or a disposition of securities to a related party, or an acquisition from an unaffiliated enterprise of securities whose underlying is the stock of an affiliated enterprise, before the date of occurrence, it shall obtain the financial statements of the issuing company for the most recent period, audited and attested or reviewed by a certified public accountant (CPA), for reference in appraising the transaction price. If the amount of the transaction is 20 percent or more of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, it shall also request a CPA to provide an opinion on the reasonableness of the transaction price before the date of occurrence. However, if the securities quoted on an active market or otherwise stipulated by the Financial Supervisory Commission, this limitation is not applicable.

When the Company engages in the acquisition of intangible assets, right-of-use assets or memberships from or their disposition to any of related parties, if the amount of the transaction is 20 percent or more of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, it shall request a CPA to provide an opinion on the reasonableness of the transaction price before the date of occurrence.

The calculation of the transaction amount in the preceding two paragraphs shall be conducted in accordance with the provisions of Paragraph 2 of Article 31 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

Article 11

When the Company intends to conduct any acquisition or disposal of real property or right-of-use assets from or to any of its related parties, or to conduct an acquisition or disposal of assets other than real property or right-of-use assets from or to any of its related parties in which the transaction amount is furthermore 20 percent or more of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, with the exception of the purchase or sale of government bonds, repo or reverse repo bond transactions, or subscription to or repurchase of domestic money market funds issued by securities investment trust enterprises, it shall have the following matters passed a resolution by Audit Committee and approved by the Board of Directors before it may enter into a contract for the transaction and pay the required monies:

1. An appraisal issued by a professional appraiser as required by regulations, or a CPA opinion.
2. The purpose, necessity, and projected benefits of the acquisition or disposal of real property.
3. The reason for choosing the related party as a trading 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 Article 16 and Article 17 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.

5. The date and price at which the real property was originally acquired by the related party, the trading counterparty, and the trading counterparty's relationship with the Company and its related parties.
6. Monthly cash flow forecasts for a full year commencing from the scheduled month of contract signing, and an evaluation of the necessity of the transaction and the reasonableness of the utilization of funding.
7. Any restrictions on the transaction and other important stipulations.
8. An opinion issued by a CPA engaged to review whether the transaction with the related party conforms with ordinary commercial terms and whether it is not damaging to the interests of the Company and its minority shareholders.

When the amount of the transaction of acquisition or disposal of real property, equipment or right-of-use assets under the preceding paragraph is 20 percent or more of the Company's paid-in capital, 10 percent of its total assets, or NT\$300 million or more, the Company shall obtain an appraisal report issued by a professional appraiser. If the discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount, the Company shall additionally request a CPA to provide a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price, and it shall be approved by more than half of all members of the Audit Committee and a majority of the directors in attendance at a Board of Directors meeting attended by two-thirds or more of the directors.

In an acquisition of real property or its right-of-use asset from a related party, if the actual transaction price is higher than the appraised transaction cost, and no objective evidence can be presented and no concrete opinion that the transaction is reasonable can be obtained from a professional appraiser and a CPA, the Board of Directors shall thoroughly review the transaction and determine whether it may prejudice the rights and interests of the Company and its shareholders, and when necessary, shall refuse to enter into the transaction.

When a transaction as described under the preceding paragraph has been passed a resolution by Audit Committee and approved by the Board of Directors, the Company shall set aside a special reserve against the difference between the transaction price and the appraised cost, and may not distribute the difference or use it for capital increase or for issuance of bonus shares. In addition, the Company shall report the handling of the above transaction to the shareholders meeting and shall disclose the details of the transaction in the annual report and any prospectus.

When [any of] the following circumstances is present in a transaction with a related party, after passage by the Board of Directors, the matter in the first paragraph shall also be submitted to the shareholders meeting for passage of a resolution, and shareholders who have their own interests are not allowed to participate in the voting:

1. The Company or its subsidiary that is not a domestic public company has the transaction in first paragraph, and the transaction amount reaches 10 percent or more of the Company's total assets.
2. According to the Company Act, the Articles of Incorporation or internal operating procedures, the transaction amount and conditions have a significant impact on the Company's operations or shareholders' rights and interests.

If the Company has the transaction in first paragraph with a related party, it shall submit the actual transaction status (including the actual transaction amount, transaction conditions, and the information in first paragraph, etc.) to the latest shareholders' meeting report after the end of the year.

The Company has set up the Audit Committee. According to the provisions of this Article, the matters resolved by the Audit Committee shall be approved by more than half of all members of the Audit Committee, and a resolution of the Board of Directors shall be proposed. The provisions of Paragraph 4 and 5 of Article 6 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies shall be used compliantly.

Article 12

With respect to any financial or business interaction between the Company 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 or its representative legal person is an interested party with respect to a particular agenda item, that director shall enter into recusal and may neither discuss and 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 the spouse, relatives with the second degree of kinship, or a company that has a controlling affiliation with the directors, have a stake in the preceding matters of the meeting, it is deemed that the directors have stakes in the matter.

Upon discovering that, in the course of their duties, the Board of Directors or a director has committed a violation of law or regulation, the articles of incorporation, or a shareholders meeting resolution, the Audit Committee 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 13

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.

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 change in affiliated enterprises shall be filed with the TWSE or TPEX within 2 days of the change.

Information on any material transaction 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.

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, or 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).

Article 14

When any of the following circumstances applies to an affiliated enterprise, the Company 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 the Company.
4. Any matter regarding a subsidiary or the unlisted (neither TWSE nor TPEX listed) parent of the Company 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 Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities.

If the parent of the Company is a foreign company, the Company shall make a filing of the following information on its behalf before the opening of trading hours on the first business day following the day on which the Company becomes aware of the information or on which there is media reporting of the information:

1. A material change in shareholder equity.
2. A material change in business policy.
3. A material disaster resulting in serious reduction or complete cessation of production.
4. A material effect on the rights and interests of shareholders or the parent's operations resulting from a change in the laws, regulations, or rules of the parent's home country.
5. Mass media reporting about the parent sufficient to affect the securities prices of the Company.
6. The occurrence of any other material event that, pursuant to the laws or regulations of the foreign company's home country, must be filed immediately.

Article 15

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

Article 16

This Rules was set at the date of September 24, 2020.

The first Amendment was approved on February 23, 2023.