

Lemtech Holdings Co., Limited

Management Procedures for Related Party Transactions (Translated version)

Article 1 Purpose

To ensure independent operation of financial and business activities between the Company, group enterprises, specific companies, and related parties, prevent irregular transactions, improper transfer of benefits in matters such as purchases and sales between related parties, acquisition and disposal of assets, endorsements/guarantees, and fund lending, and safeguard the rights and interests of all shareholders, these Procedures are hereby established.

Article 2 Scope

These Procedures apply to the identification and maintenance procedures for related parties, management of related-party transactions, reconciliation, adjustment and settlement, contract management, and expression and disclosure of transactions. Matters not covered herein shall be handled in accordance with the Company Act, the Company's internal control system, and relevant laws and regulations.

Article 3 Definitions

The term "related parties" as used in these Procedures shall be determined in accordance with the Criteria Governing the Preparation of Financial Reports by Securities Issuers.

The term "related enterprises" as used in these Procedures refers to enterprises that exist independently but have the following relationships with each other as stipulated in Article 369-1 of the Company Act:

1. Companies with controlling and subordinate relationships.
2. Companies with mutual investments.

In determining the controlling and subordinate relationships specified in the preceding paragraph, in addition to considering their legal form, the substantive relationships shall also be considered.

Article 4 The finance department shall establish a list of related parties and regularly assess whether there are any additions or reductions. The Company's managers shall not concurrently serve as managers of related enterprises, nor shall they engage in the same or similar business as the Company on their own account or with others, unless approved by a resolution of the Board of Directors. The personnel management responsibilities between the Company and related enterprises shall be clearly delineated, and mutual use of personnel shall be avoided. However, if there is a genuine need for support or transfer, the scope of work, responsibilities, and cost-sharing methods shall be predefined in advance.

Article 5 Business dealings between the Company and related parties shall clearly stipulate pricing conditions and payment terms, and the purpose, price, terms, substance and form of the transactions, as well as related processing procedures, shall not be significantly unfair or unreasonable compared to normal transactions with non-related parties. This includes:

1. Sales transactions, sales prices, and collection terms shall be handled in accordance with general customers, the Company's internal control system, and relevant regulations. If differing from general customers due to long-term cooperation or other special factors, a request may be submitted to the General Manager for approval to apply reasonable preferential prices or collection terms.
2. Purchase transactions, purchase prices, and payment terms shall be handled in accordance with general suppliers, the Company's internal control system, and relevant regulations. If there are special factors or superior conditions differing from general suppliers, a request may be submitted to the General Manager for approval to apply reasonable preferential prices or payment terms.
3. Order processing for sales and purchases with related parties, and management of receivables and payables arising therefrom, shall be handled in accordance with relevant internal control procedures.
4. Services or technical services with related parties shall be governed by contracts signed by both parties, specifying service content, service fees, duration, payment terms, and after-sales services, etc., and shall be handled after approval by the General Manager or Chairman. All terms of such contracts shall follow general commercial practices and relevant internal control procedures.
5. Long (short)-term investments in marketable securities, real estate, equipment, right-of-use assets, etc., shall be handled in accordance with the Company's "Procedures for Acquisition or Disposal of Assets."
6. Fund lending: Handled in accordance with the Company's "Procedures for Lending Funds to Others."
7. Endorsements/guarantees: Handled in accordance with the Company's "Procedures for Endorsements/Guarantees."
8. Supervision of management of related enterprises: Handled in accordance with the Company's "Procedures for Supervision and Management of Subsidiaries."

The accounting personnel of the Company and related parties shall mutually verify the balances of purchases, sales, receivables, and payables from the previous month before the end of each month. Any discrepancies shall be investigated for causes and recorded in adjustment schedules.

Article 6 Where the Company engages in purchases/sales, labor or technical service transactions with related parties, and the estimated annual transaction amount reaches 5% of the Company's latest consolidated total assets or latest annual consolidated net operating revenue, except for cases governed by the Regulations Governing the Acquisition or Disposal of Assets by Public Companies or transactions between the Company and its parent company, subsidiaries, or among subsidiaries, the following information shall be submitted to the Board of Directors for approval prior to conducting the transaction:

1. Items, purposes, necessity, and expected benefits of the transaction.
2. Reasons for selecting the related party as the trading counterparty.
3. Principles for calculating the transaction price and the upper limit of the estimated annual transaction amount.

4. Explanation that the transaction terms comply with normal commercial terms and do not harm the Company's interests or shareholders' rights.
5. Restrictions on the transaction and other important contractual matters.

For transactions with related parties under the preceding paragraph, the following matters shall be reported to the most recent shareholders' meeting after the end of the year:

1. Actual transaction amounts and terms.
2. Whether 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 been exceeded. If exceeded, the reasons, necessity, and reasonableness shall be explained.

Article 7 Asset transactions, derivatives transactions, enterprise mergers, demergers, acquisitions, or share transfers between the Company and related parties shall be handled in accordance with the Regulations Governing the Acquisition or Disposal of Assets by Public Companies and the Company's Procedures for Acquisition or Disposal of Assets.

For acquisition or disposal of marketable securities from/to related parties, or acquisition of marketable securities with related enterprises as the underlying, the most recent financial statements of the target company audited or reviewed by certified public accountants shall be obtained prior to the occurrence of the fact as reference for assessing the transaction price. If the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million or more, a certified public accountant shall be engaged prior to the occurrence to opine on the reasonableness of the transaction price. However, this shall not apply if the marketable securities have active market quotes or if otherwise provided by the Financial Supervisory Commission.

For acquisition or disposal of intangible assets, right-of-use assets, or membership certificates from/to related parties where the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million or more, a certified public accountant shall be engaged prior to the occurrence to opine on the reasonableness of the transaction price.

Article 8 Where the Company acquires or disposes of real property or right-of-use assets from/to related parties, or acquires or disposes of other assets from/to related parties (excluding government bonds, bonds with repurchase or reverse repurchase conditions, or subscriptions or repurchases of money market funds issued by domestic securities investment trust enterprises) and the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million or more, the following information shall be submitted to the Audit Committee for approval by more than one-half of all members, and to the Board of Directors for resolution prior to signing the transaction contract and making payment:

1. Appraisal reports issued by professional appraisers as required by regulations, or opinions from certified public accountants.
2. Purposes, necessity, and expected benefits of the asset acquisition or disposal.
3. Reasons for selecting the related party as the trading counterparty.
4. Relevant data assessing the reasonableness of the proposed transaction terms for acquiring real property from related parties in accordance with Articles 16 and 17 of the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.

5. Original acquisition date and price by the related party, trading counterparty, and its relationship with the Company and the related party.
6. Projected cash inflow and outflow table for each month starting from the expected contract signing month for the next year, and assessment of the necessity of the transaction and reasonableness of fund utilization.
7. Restrictions on this transaction and other important contractual matters.
8. Opinions issued by certified public accountants on whether the related-party transaction complies with normal commercial terms and does not harm the interests of the Company and its minority shareholders.

For transactions under the preceding paragraph involving acquisition or disposal of real property, equipment, or right-of-use assets where the transaction amount reaches 20% of the Company's paid-in capital, 10% of total assets, or NT\$300 million or more, appraisal reports from professional appraisers shall be obtained. If the appraised value differs from the transaction amount by 20% or more, a certified public accountant shall be engaged to provide specific opinions on the reasons for the difference and the appropriateness of the transaction price, and the resolution shall be passed by attendance of more than two-thirds of all directors and the consent of more than one-half of the attending directors.

Where real property or right-of-use assets are acquired from related parties and the actual transaction price exceeds the assessed transaction cost, and no objective evidence or specific reasonable opinions from professional real property appraisers and certified public accountants can be provided, the Board of Directors shall fully assess whether it harms the Company's and shareholders' interests and reject the transaction if necessary. Audit Committee members shall also exercise their supervisory powers and notify the Board of Directors to cease such conduct if necessary.

If approved by more than one-half of all Audit Committee members and resolved by the Board of Directors, in addition to appropriating the difference between the transaction price and the appraised cost as special earnings reserve, which shall not be distributed or used for capital increase share allotment, the handling of the aforementioned transaction shall be reported to the shareholders' meeting, and the transaction details shall be disclosed in the annual report and prospectus.

Related-party transactions with the following circumstances shall, even after Board of Directors approval, be submitted to the shareholders' meeting for resolution with the information under each subparagraph of Paragraph 1, and shareholders with personal interests shall not participate in voting:

1. The Company or a non-domestically publicly issued subsidiary of the Company engages in transactions under Paragraph 1, and the transaction amount reaches 10% or more of the Company's total assets.
2. Transactions that have material impact on the Company's operations or shareholders' rights in terms of amount or terms as stipulated by the Company Act, the Company's articles of incorporation, or internal operating procedures.

For transactions under Paragraph 1 with related parties, the actual transaction details (including actual transaction amounts, terms, and information under each subparagraph of Paragraph 1) shall be reported to the most recent shareholders' meeting after the end of the year.

If not approved by more than one-half of all Audit Committee members under Paragraphs 1 and 4, it may be carried out with the consent of more than two-thirds of all directors, and the Audit Committee's resolution shall be recorded in the Board meeting minutes.

The "all Audit Committee members" and "all directors" referred to in the preceding paragraph shall be calculated based on those actually in office.

Article 9 For financial and business dealings with related parties that require Board of Directors resolution, the opinions of each independent director shall be fully considered, and their explicit agreement or opposition, along with reasons for opposition, shall be included in the Board minutes.

If a director has a personal interest or an interest through a legal entity they represent in a meeting matter, which may harm the Company's interests, the director shall recuse themselves, shall not participate in discussions or voting, and shall not exercise voting rights on behalf of other directors. Directors shall exercise self-discipline and shall not unduly support each other.

If the spouse, relatives within the second degree of kinship of a director, or a company over which the director has controlling and subordinate relationships has an interest in the aforementioned meeting matter, it shall be deemed that the director has a personal interest in that matter. Supervisors shall, upon discovering that the Board of Directors or directors are in violation of laws, articles of incorporation, or shareholders' meeting resolutions in performing their duties, immediately notify the Board of Directors or directors to cease such conduct, take appropriate measures to prevent the expansion of irregularities, and, if necessary, report to the relevant supervisory authorities or units.

Article 10 The Company shall, in accordance with laws and regulations regarding required announcements or filings and their deadlines, timely arrange for each subsidiary to provide necessary financial and business information, or engage certified public accountants to audit or review the financial reports of each subsidiary. The Company shall announce the consolidated balance sheets of related enterprises, consolidated statements of comprehensive income of related enterprises, and accountants' review reports within the statutory annual financial reporting filing deadlines. In case of additions or reductions in related enterprises, changes shall be filed with the Taiwan Stock Exchange or the Taipei Exchange within two days of the change.

Major transaction matters between the Company and related parties shall be fully disclosed in the annual report, financial statements, three major financial statements of related enterprises, and prospectus.

If a related party encounters financial difficulties, the Company shall obtain its financial statements and relevant information to assess the impact on the Company's finances, business, or operations, and take appropriate protective measures for the Company's claims if necessary. In such cases, in addition to stating the impact on the Company's financial condition in the annual report and prospectus, major information shall be immediately released on the Market Observation Post System.

Article 11 Where the Company's related enterprises have any of the following circumstances, the Company shall make announcements or filings on their behalf regarding relevant information:

1. Subsidiaries whose shares are not publicly issued domestically, where the amount of asset acquisition or disposal, endorsements/guarantees, or lending of funds to others reaches the announcement or filing standards.

2. Matters related to bankruptcy or reorganization proceedings conducted by subsidiaries in accordance with relevant laws and regulations.
3. Major decisions resolved by the board of directors of related enterprises that have material impact on the Company's shareholders' rights or securities prices.
4. Where a subsidiary of the Company has material information that shall be released as stipulated in the "Procedures for Verification and Disclosure of Material Information of Listed Companies by the Taiwan Stock Exchange Corporation" or the "Procedures for Verification and Disclosure of Material Information of TPEx Listed Companies by the Taipei Exchange."

Article 12 These Procedures shall take effect upon approval by the Board of Directors, and the same shall apply to amendments thereof.

These Best Practice Principles were established on January 16, 2010.

First amended on November 13, 2019.

Second amended on March 4, 2024.