

# **Chlitina Holding Limited**

## **Related Party Transaction Management Guidelines**

### **I. Purpose**

These guidelines are established to regulate the procedures for transactions between the Company and its group entities, specified companies, and related parties. They are formulated based on the Company's actual business and financial conditions, as well as applicable laws and regulations.

### **II. Definition of Related Parties**

The identification of related parties is in accordance with the definition set forth in International Accounting Standard No. 24 (IAS 24) - Related Party Disclosures.

A related party refers to any entity that has the following relationships with the consolidated company:

1. Has control or significant influence, either directly or indirectly, over the financial or operating decisions of the consolidated company.
2. Is under the control of the same entity as the consolidated company.
3. Is an associate or joint venture in which the consolidated company holds an equity interest.
4. Is a key management personnel of the consolidated company or its parent company, or is a close family member of such personnel, or is an entity controlled, jointly controlled, or significantly influenced by such individuals.
5. A close family member of individuals described in item (1), or entities under the control, joint control, or significant influence of such individuals.
6. A post-employment benefit plan established for employees of the consolidated company or its related entities.

“Close family members” are those who may influence decisions related to the entity.

### **III. Definition of Group Entities and Specified Companies**

Group entities and specified companies of the Company shall be identified based on the definitions provided by:

- The Financial Supervisory Commission (FSC) of the Executive Yuan;
- The Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings; and
- The Supplemental Rules Governing Applications by Group Enterprises for Taipei Exchange (TPEX) Listing of Stock.

#### IV. Identification and Control of Related Parties

- (1) Designated personnel shall periodically identify and update the list of related parties, group entities, and specified companies in accordance with Articles II. and III. The updated list shall be approved and signed by authorized supervisors.
- (2) New related parties and transaction types must be approved by the Audit Committee and Board of Directors before execution. However, transactions among wholly-owned subsidiaries of the Company that comply with the Company's transfer pricing policies are exempt from this requirement.
- (3) At least once every quarter, the Company shall present a consolidated report to the Audit Committee and the Board of Directors covering related-party transactions, including purchases and sales of goods, provision or receipt of services or technical services, acquisition or disposal of assets, endorsements and guarantees, loans of funds, and other material transactions. In addition, at the annual shareholders' meeting, the Company shall include, as a reporting item, a summary of the foregoing related-party transactions conducted in the preceding fiscal year.
- (4) The Accounting Department oversees the control mechanism for related parties, group entities and specified companies. During regular intervals or personnel changes (data provided by the Human Resources Department), related party information is updated. Entities associated with responsible persons, directors, supervisors, managers, and major shareholders are regularly reviewed via the Market Observation Post System (MOPS). In transactions involving sales, procurement, investment, or assets, counterparties are to be verified as to whether they qualify as related parties, group entities, or specified companies.
- (5) All results from identification and inquiries must be immediately updated in the Company's related party database. Departments responsible for sales, procurement, investment, or asset transactions must consult the database for manual control and verification.

#### V. Categories of Transactions

Transactions covered under these Guidelines include but are not limited to:

1. Procurement
2. Sales
3. Property and investment transactions
4. Leasing and subleasing of real estate
5. Consignment sales and commission income
6. Contract manufacturing and processing fee arrangements
7. Financing and interest transactions
8. Endorsements and guarantees
9. Other related transactions

VI. Procurement from related parties, group entities, and specified companies shall be conducted in accordance with the procurement and payment cycle defined in the Company's Internal Control System and relevant management regulations.

Transaction terms and pricing should be equivalent to those offered to regular customers or industry peers. Preferential terms may be granted based on reasonable agreements.

- (1) Abnormal transactions must be reviewed by the Head of the Administrative Department and submitted for supervisory approval. Such transactions must be rectified within a specified timeframe.
- (2) For significant procurements requiring prepayment, the reasonableness must be assessed, and the counterparty's ability to fulfill obligations continuously monitored.

VII. Sales transactions conducted by the Company with group enterprises, specific companies, and related parties shall be handled in accordance with the sales and collection cycle and relevant management procedures under the Company's Internal Control System. The transaction terms and pricing shall be the same as those applicable to general customers or industry counterparts. However, where long-term cooperative relationships or other special circumstances exist that differ from those of ordinary customers, more favorable pricing or collection terms may be granted based on reasonable agreements.

- (1) Abnormal transactions must be reviewed by the Head of the Administrative Department and submitted for supervisory approval. Such transactions must be rectified within a specified timeframe.

- (2) Periodic reports such as gross profit margin variance analyses and transaction terms comparisons between related and unrelated parties must be prepared to assess reasonableness.

VIII. Property and investment transactions with related parties shall comply with the fixed assets cycle of the Company's Internal Control System, the Procedures for Acquisition or Disposal of Assets and other relevant management regulations.

- (1) The Company may not invest in its parent company as per the Company Act.
- (2) Investment decisions between related parties must be evaluated by the Finance Department, taking into account operational strategy and capital status, followed by an assessment report and approval by the Chairman or Board of Directors, as per authority delegation.

IX. Real estate leasing transactions must be based on reasonable contracts and lease payments calculated at fair market value.

X. For consigned or entrusted sales, commission rates should be comparable to those for regular distributors.

XI. For consigned or entrusted processing, commission rates should be comparable to those for regular processing manufacturers.

XII. Financing transactions with related parties shall comply with the Company's Procedures for Lending Funds to Others. Interest shall be calculated on a floating rate basis, adjusted in line with the Company's capital cost.

The operations and financial conditions of the group enterprises, specific companies and related parties are reviewed periodically to evaluate debt repayment capacity and allowance for doubtful accounts.

Ongoing needs for further financing shall be evaluated and documented to evaluate whether continued lending to related parties is necessary.

XIII. When the Company provides endorsements and guarantees for group enterprises, specific companies, or related parties, its shall be handled in accordance with the relevant provisions of the Company's Endorsement and Guarantee Operating Procedure.

The operating and financial conditions of group enterprises, specific companies, and related parties are reviewed periodically, and their debt repayment ability is assessed

to ensure the adequacy of provisions for contingent losses arising from endorsements and guarantees.

XIV. Transactions between the Company, group enterprises, specific companies, and related parties are regularly reconciled, adjusted, and settled.

- (1) Separate accounting items and ledgers must be maintained for transactions among group enterprises, specific companies, and related parties.
- (2) Periodic reconciliation and adjustments must be conducted among group enterprises, specific companies, and related parties. Anomalies shall be investigated and resolved with appropriate supervisory approval.
- (3) Accounts Receivable Aging Reports and Overdue Account Details for related parties must be compiled and reviewed by the responsible supervisor.
- (4) Offsetting of receivables and payables should be between original transacting parties. Abnormal cases must be evaluated and approved by the responsible supervisor.
- (5) Overdue accounts receivable from related parties must be assessed for collectability and provisions made accordingly for doubtful accounts.

XV. Contract Management for Transactions between the Company and Group Enterprises, Specific Companies, and Related Parties

- (1) Conflicts of interest are prohibited.
- (2) Contracts shall be categorized and archived by transaction type.
- (3) Designated personnel shall manage contract borrowing, return, and damage/loss tracking.

XVI. Disclosure and Presentation of Transactions between Group Enterprises, Specific Companies, and Related Parties

- (1) In accordance with IAS 24, related party transactions shall be periodically compiled and reviewed by authorized supervisors.
- (2) In accordance with IAS 24, disclosures shall be made in the notes to the financial statements.
- (3) Evaluate whether accounts receivable overdue beyond credit terms constitute financing and reclassify as needed. Appropriate reclassification shall be made and properly disclosed in the notes to the financial statements.
- (4) For investment transactions among related parties, if a subsidiary holds shares of the Company, such holdings must comply with relevant international standards.

- (5) A summary table shall be prepared and updated regularly for purchases and sales with related parties, and accounts receivables from related parties exceeding NT\$100 million or 20% of paid-in capital must be detailed in the notes to the financial statements.
- (6) Updates on significant investments (where the Company exercises control or significant influence) must also be disclosed in the notes to the financial statements.

XVII. Other matters shall be handled on a case-by-case basis.

XVIII. When exercising voting rights, directors with a conflict of interest shall abstain from voting on relevant resolutions.

XIX. Major property transactions, guarantees, or loans between the Company and related parties shall be governed by these Guidelines and any other applicable regulations.

XX. The Company and its group entities, specified companies, and related parties must maintain independence. Transactions must not deviate from normal commercial practices or result in improper benefit transfer.

XXI. Any matters not specifically addressed shall be handled in accordance with applicable laws and regulations of the competent authorities.

XXII. These Guidelines shall take effect upon approval by the Audit Committee and Board of Directors. Amendments shall follow the same procedure.

XXIII. Version Record

Version	Amendment Description	Date
1	New document	August 2012
2	Amendment	August 9, 2023
3	Amendment	May 8, 2025