

## **IKKA HOLDINGS(CAYMAN) LIMITED**

### **Operating standards related to financial business between related parties**

In order to improve the financial business dealings between the company and its related parties, and prevent irregular transactions and improper transfer of interests in matters such as purchase and sale transactions, acquisition of assets for disposal, endorsement guarantees, and capital loans, Yuan is listed on the OTC List. The provisions of Article 17 of the Code of Governance Practice are formulated in this Code of Practice for compliance.

#### **Article 1**

The operations related to the mutual financial business between the company and its related parties shall be handled in accordance with the provisions of these operating standards, unless otherwise provided by laws or articles of association.

#### **Article 2**

The related parties referred to in this specification shall be identified in accordance with the financial reporting standards for securities issuers.

The "related enterprises" as mentioned in this operating standard are enterprises that exist independently and have the following relationships with each other in accordance with the provisions of Article 369-1 of the Company Law of the Republic of China:

1. Companies with controlling and subordinate relationships.
2. Mutual investment companies. When judging the control and subordination relationship stipulated in the preceding paragraph, in addition to paying attention to its legal form, its substantive relationship should be considered.

#### **Article 3**

The company should consider the company's overall operating activities, establish an effective internal control system for transactions with related parties (including related enterprises), and conduct reviews at any time to respond to changes in the company's internal and external environment to ensure that the design and execution of the system continue to be effective. .

The company should urge the subsidiary to establish an effective internal control system after considering the local government laws and regulations and the nature of the actual operations. If the related party is a non-publicly issued company, it should still consider its impact on the company's financial business and require it to establish an effective internal control system. internal control system and financial, business and accounting management system.

#### Article 4

In addition to complying with the relevant internal control systems established by the company when supervising the operation and management of related enterprises, the company should also pay attention to the following matters:

1. The company shall obtain appropriate director and supervisor seats from the related enterprises in accordance with the proportion of shares acquired.
2. The directors appointed by the company to the affiliated companies shall regularly participate in the board of directors of the affiliated enterprises, and each management level shall report the corporate goals and strategies, financial status, operating results, cash flow, major contracts, etc., in order to supervise the operations of the affiliated enterprises and monitor the operations of the affiliated enterprises. The reasons for abnormal events should be identified, recorded and reported to the chairman or general manager of the company.
3. The supervisor appointed by the company to the affiliated enterprise shall supervise the execution of the affiliated enterprise's business, investigate the financial and business status of the affiliated enterprise, check the books and documents and audit reports, and may request the board of directors or manager of the affiliated enterprise to submit a report and report any abnormal matters. The reasons should be identified, records should be kept and reported to the chairman or general manager of the company.
4. The company should assign qualified personnel to important positions in the relevant enterprises, such as general manager, financial director or internal audit director, etc., to assume the responsibilities of operation management, decision-making and supervision and evaluation.
5. The company should guide each subsidiary to set up an internal audit unit and formulate procedures and methods for self-inspection of the internal control system based on the nature of the business, scale of operations and number of employees.
6. In addition to reviewing the audit reports or self-inspection reports submitted by each subsidiary, the company's internal auditors must also perform audit work on the subsidiaries regularly or irregularly. The findings and suggestions in the audit report shall be reviewed after the review. Notify each inspected subsidiary to improve and prepare regular follow-up reports to ensure that appropriate improvement measures have been taken in a timely manner.
7. Subsidiaries should submit financial statements for the previous month on a regular basis (such as before the 15th of each month), including balance sheets, profit and loss statements, expense statements, cash receipts and expenditures and forecast statements, accounts receivable aging analysis statements, and

Detailed statements of overdue accounts, inventory age analysis tables, monthly statements of funds loaned to others and endorsement guarantees, etc. If there are any abnormalities, analysis reports should be attached for the company's control. Other related companies should also provide the company's financial statements for the previous quarter, including balance sheets, profit and loss statements, etc., on a regular basis (such as before the 15th day of each quarter) for the company's analysis and review.

#### Article 5

The managers of the company should not serve concurrently with managers of related companies, and should not operate businesses of the same type as the company on their own or with others, except where this is done by resolution of the board of directors. The personnel management rights and responsibilities between the company and its affiliated enterprises should be clearly divided, and mutual transfer of personnel should be avoided. However, if support and transfer are truly necessary, the scope of work, rights, responsibilities, and cost allocation methods should be standardized in advance.

#### Article 6

The company should establish an effective financial and business communication system with all related enterprises, and conduct comprehensive risk assessments on its banks, major customers and suppliers on a regular basis to reduce credit risks. For related companies that have financial business dealings, they should especially keep control of their major financial and business matters at all times for risk control.

#### Article 7

Fund loans or endorsement guarantees between the company and related parties should be carefully evaluated and comply with the "Code for Handling Fund Loans and Endorsement Guarantees of Publicly Offered Companies" and the company's operating procedures for lending funds to others and endorsement guarantee operating procedures.

Fund loans or endorsement guarantees with related parties shall be reviewed in detail on the following matters, and the evaluation results shall be reported to the board of directors. Fund loans must be handled after a resolution of the board of directors, and no other person may be authorized to make a decision. Endorsement guarantees can be handled within a certain amount by the board of directors authorizing the chairman of the board in accordance with the provisions of the preceding paragraph, but they must be reported to the latest board of directors for ratification afterwards.

1. Necessity and rationality of capital loan or endorsement guarantee. Those who

engage in capital loans or endorsement guarantees due to business relationships should evaluate whether the amount of the loan or endorsement guarantee is equivalent to the amount of business transactions; if there is a need for short-term financing, the reasons and circumstances for obtaining the loan should be listed.

2. Credit investigation and risk assessment of the object of fund loan or endorsement guarantee.

3. Impact on the company's operational risks, financial status and shareholders' equity.

4. Whether collateral should be obtained and the estimated value of the collateral.

The company's subsidiaries that directly and indirectly hold more than 90% of the voting shares shall be submitted to the company's board of directors for resolution before they are endorsed as guarantees in accordance with Article 5, Paragraph 2 of the Guidelines for Handling Fund Loans and Endorsement Guarantees for Publicly Offered Companies. It has to be done. However, this does not apply to inter-company endorsements and guarantees where the company directly or indirectly holds 100% of the voting shares.

Fund loans between the company and its parent company or subsidiaries, or between its subsidiaries, must be resolved by the board of directors, and the chairman of the board may be authorized to allocate funds to the same loan object within a certain amount determined by the board of directors within a period not exceeding one year. Subprime loans or revolving loans.

For capital loans or endorsement guarantees between the company and related parties, the opinions of each independent director should be fully considered, and their clear opinions of agreement or objection and the reasons for the objection should be included in the board of directors' records.

If foreign companies that directly or indirectly hold 100% of the voting shares of the company engage in fund lending due to the need for short-term financing, the financing amount is not subject to the 40% limit of the lending company's net worth. If the company directly or indirectly holds more than 90% of the voting shares as an endorsement guarantee, the amount shall not exceed 10% of the company's net worth. However, this does not apply to the endorsement guarantee between companies that directly and indirectly hold 100% of the voting shares of the company.

Follow-up control measures should be implemented for matters involving capital loans or guarantees. If there is a risk of overdue claims or losses, appropriate preservation measures should be taken to protect the company's rights and

interests.

#### Article 8

The company's business dealings with related parties should clearly define price conditions and payment methods, and the purpose, price, conditions, substance and form of the transaction, and related processing procedures should not be significantly different from normal transactions with non-related parties. Something that is quite or appears to be unreasonable.

When purchasing finished products, semi-finished products, and raw materials from related parties due to business needs, purchasing personnel should comprehensively evaluate the reasonableness of the related parties' quotations based on market prices and other transaction conditions. Unless there are special factors or excellent conditions that are different from those of ordinary suppliers, purchasing personnel may Except for the reasonably agreed preferential prices or payment terms, the remaining prices and payment terms should be compared with those of general suppliers.

When selling finished products, semi-finished products, and raw materials to related parties, the quotation should refer to the current market price. Except for the long-term cooperation relationship or other special factors that are different from ordinary customers, preferential prices or payment conditions may be granted according to reasonable agreements. The remaining prices and The payment terms should be compared with those of general customers.

For labor or technical services with related parties, both parties should sign a contract, agreeing on the service content, service fees, period, payment terms, after-sales service, etc., and submit it to the general manager or chairman for approval. All terms of the contract should be followed. General business practices.

The accounting personnel of the company and its related parties should check each other's purchases and sales and the balances of receivables and payables in the previous month before the end of each month. If there are any differences, the reasons need to be understood and a reconciliation statement should be prepared.

#### Article 8-1

The company purchases and sells goods, performs labor or technical service transactions with related parties, and the expected transaction amount for the entire year reaches 5% of the company's most recent consolidated total assets or the most recent consolidated net operating income, except for companies that are subject to public offering or acquisitions. Except for transactions between the company and its parent company, subsidiaries or subsidiaries as

stipulated in the guidelines for disposal of assets, the following information must be submitted to the board of directors for approval before transactions can be carried out:

1. The items, purpose, necessity and expected benefits of the transaction.
2. Reasons for selecting the relevant person as the transaction object.
3. Transaction price calculation principles and estimated annual transaction amount upper limit.
4. An explanation of whether the transaction conditions comply with normal commercial terms and do not harm the interests of the company and shareholders' rights.
5. Transaction restrictions and other important agreed matters.

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. 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 does not exceed the upper limit approved by the board of directors. If the transaction amount exceeds the upper limit, the reasons, necessity and rationality should be explained.

#### Article 9

Asset transactions, derivatives transactions, business mergers, divisions, acquisitions or share transfers between the company and its related parties shall be carried out in accordance with the "Principles for the Acquisition or Disposal of Assets by Publicly Offered Companies" and the procedures for acquiring or disposing of assets set by the Company. handle.

When acquiring or disposing of securities from a related party, or acquiring securities with a related company as the target from other non-related companies, the most recent financial statements of the target company that have been verified and certified by an accountant should be obtained as an evaluation before the date of occurrence. For reference of the transaction price, if the transaction amount reaches 20% of the company's paid-in capital, 10% of the total assets, or more than NT\$300 million, an accountant should be consulted before the date of occurrence to express the reasonableness of the transaction price. According to the opinion, if accountants need to use expert reports, they should follow the provisions of the Auditing Standards Bulletin No. 71 issued by the Accounting Research and Development Foundation. However, this does not apply if the securities have public quotations in an active market or

if the Financial Supervisory Commission otherwise stipulates.

If the transaction amount of intangible assets or the right-to-use assets or membership certificates acquired or disposed of from a related party exceeds 20% of the company's paid-in capital, 10% of the total assets, or more than NT\$300 million, the transaction amount must be obtained before the date of the fact. When requesting an accountant to express an opinion on the reasonableness of the transaction price, the accountant shall comply with the provisions of Auditing Standards Bulletin No. 71 issued by the Accounting Research and Development Foundation.

The calculation of the transaction amount in the first two items shall be based on the "Principles for the Treatment of Assets Acquired or Disposed of by Publicly Offered Companies"

The second paragraph of Article 31 shall be handled.

#### Article 10

The company acquires or disposes of real estate or its right-of-use assets from related parties, or acquires or disposes other assets other than real estate or its right-of-use assets with related parties, and the transaction amount reaches 20% of the company's paid-in capital and 100% of total assets. Ten percent or more than NT\$300 million, except for buying and selling public bonds, bonds with buy-back and sell-back conditions, and subscribing or buying back money market funds issued by domestic securities investment trust enterprises, the following information should be submitted to the board of directors for approval and Only after approval by the audit committee can the transaction contract be signed and the payment made:

1. A valuation report issued by a professional valuation firm or an accountant's opinion that must be obtained in accordance with regulations.
2. The purpose, necessity and expected benefits of acquiring or disposing of assets.
3. Reasons for selecting the relevant person as the transaction object.
4. Acquire real estate from related parties, and evaluate relevant information on the reasonableness of predetermined transaction conditions in accordance with Articles 16 and 17 of the "Code for Handling Assets Acquired or Disposed of by Publicly Offered Companies".
5. The original acquisition date and price of the related party, the transaction object and its relationship with the company and the related party, etc.
6. A forecast statement of cash receipts and payments for each month of the next year starting from the contract month, and an assessment of the necessity of the transaction and the rationality of the use of funds.

7. Restrictions and other important agreements on this transaction.

8. Appoint an accountant to issue an opinion on whether the transaction between related parties complies with normal commercial conditions and does not harm the interests of the company and its minority shareholders.

If the transaction amount for acquiring or disposing of real estate, equipment or their right-to-use assets in the preceding paragraph exceeds 20% of the company's paid-in capital, 10% of the total assets, or more than NT\$300 million, a certificate issued by a professional appraiser shall be obtained. Valuation report, if the difference between the valuation result and the transaction amount exceeds 20% of the transaction amount, an accountant should be consulted to express specific opinions on the reasons for the difference and the adequacy of the transaction price, and more than two-thirds of the directors of the board of directors should Attendance shall require the approval of more than half of the directors present.

When acquiring real estate or its right-of-use assets from a related party, if the actual transaction price is higher than the estimated transaction cost, and it is impossible to provide objective evidence and obtain specific and reasonable opinions from professional real estate appraisers and accountants, the board of directors should fully assess whether there is any loss. and the rights and interests of the company and shareholders, the transaction should be rejected when necessary. The audit committee should also exercise its supervisory power and notify the board of directors to stop its actions if necessary.

If the board of directors approves and the audit committee recognizes the preceding transaction, the company shall set aside the difference between the transaction price and the estimated cost as a special surplus reserve and shall not distribute or convert capital into equity allotment. The company shall also disclose the handling of the transaction. Report to the shareholders' meeting and disclose the details of the transaction in the annual report and prospectus. If a related party transaction involves the following circumstances, after approval by the board of directors, the information in Paragraph 1 shall still be submitted to the shareholders' meeting for resolution, and shareholders with their own interests shall not participate in the vote:

1. The company or its subsidiaries that are not publicly listed in the country have the first transaction, and the transaction amount reaches more than 10% of the company's total assets.
2. According to the company law, the company's articles of association 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 a transaction with a related party in the first item, it shall submit the actual transaction situation (including the actual transaction amount, transaction conditions and information of each item in the first item, etc.) to the latest shareholders' meeting report after the end of the year.

Matters that the company's audit committee should recognize in accordance with the provisions of this article must first be approved by more than half of all members of the audit committee and submitted to the board of directors for resolution. Paragraph 4 and Article 6 of the "Criteria for Handling Assets Acquired or Disposed of by Publicly Offered Companies" shall apply mutatis mutandis.

The fifth provision.

#### Article 11

If financial business transactions with related parties are subject to board resolution, the opinions of each independent director should be fully considered, and their clear opinions of agreement or objection and the reasons for the objection should be included in the board of directors' records.

Directors who have an interest in matters at the meeting or the legal person they represent that may be harmful to the interests of the company shall recuse themselves from the meeting and shall not participate in discussions or voting, nor may they exercise their voting rights on behalf of other directors. Directors should exercise self-discipline and support each other appropriately.

If a director's spouse, second degree of consanguinity, or a company that has a controlling or subordinate relationship with the director has an interest in the matter of the meeting referred to in the preceding paragraph, the director shall be deemed to have his or her own interest in the matter.

When the audit committee violates laws, articles of association, or shareholder meeting resolutions when the board of directors or directors perform business, they should immediately notify the board of directors or directors to stop their behavior, take appropriate measures to prevent the abuse from expanding, and report to the relevant competent authorities or units when necessary.

#### Article 12

The company should promptly arrange for each subsidiary to provide necessary financial and business information in accordance with the matters that should be announced or reported and the time limits stipulated by laws, or entrust accountants to check or review the financial reports of each subsidiary.

The company shall publish the consolidated balance sheet of the related companies, the consolidated comprehensive income statement of the related companies and the accountant's review report in accordance with the annual

financial report filing deadline stipulated by the law. If there is any increase or decrease in the related companies, it shall report to the Taiwan Stock Exchange within two days of the change. Or report transaction information at the Securities Over-the-counter Trading Center of the Republic of China.

Major transactions between the company and its related parties should be fully disclosed in the annual report, financial statements, three statements of related companies and public prospectuses.

If a related party encounters financial difficulties, the company should obtain its financial statements and relevant information to evaluate its impact on the company's finances, business or operations. If necessary, appropriate measures should be taken to preserve the company's claims. When an incident occurs, in addition to listing its impact on the company's financial status in the annual report and public prospectus, significant information should be immediately released on the public information observatory.

#### Article 13

When the company's affiliated enterprises have the following circumstances, the company shall announce and report relevant information on its behalf:

1. For subsidiaries whose stocks have not been publicly issued in the country, if the amount of assets they acquire or dispose of, endorsement guarantees or funds loaned to others reaches the standards for announcement and reporting.
2. Matters related to the parent company or subsidiary's bankruptcy or reorganization procedures in accordance with relevant laws and regulations.
3. Major decisions made by related companies, as approved by the board of directors, have a significant impact on the company's shareholders' equity or securities prices.
4. If the company's subsidiaries and unlisted parent companies comply with the "Taiwan Stock Exchange Co., Ltd.'s Verification and Disclosure Procedures for Material Information of Listed Securities Companies" or the "Republic of China Securities Over-the-Counter Trading Center" Material information that should be released as stipulated in the "Procedures for Verification and Disclosure of Material Information of Listed Companies".

If the parent company of the company is a foreign company, the company shall make a declaration on its behalf before the start of trading on the next business day starting from the date when it becomes aware of the occurrence of the following facts of the parent company or the date of media reports:

1. There is a major change in equity.
2. Those who make major changes in business policies.
3. Those who suffer from major disasters resulting in severe production

reduction or complete suspension of production.

4. Changes in laws and regulations of the country of origin that have a significant impact on shareholders' rights or company operations.

5. The mass media's reports on the parent company are enough to affect the market conditions of the company's securities.

6. Other major events that require immediate reporting in accordance with the laws of the country where the foreign company is located.

#### Article 14

This operating standard shall be implemented after approval by the board of directors, and the same shall apply when revised.