

# Sentien Printing Factory Co., Ltd.

## Operational Procedures for Granting

### 1. Purpose:

To establish these regulations to ensure compliance in lending company funds to others and to secure debts. In cases not covered by these regulations, relevant legal provisions shall apply.

### 2. Objects of capital loans

Company funds shall not be lent to shareholders or any other individuals unless under the following circumstances:

- (1). Transactions between companies or businesses.
- (2). Necessary short-term funding between companies or businesses. The amount of funding shall not exceed forty percent of the net value of the lending enterprise.
- (3). Short-term refers to one year. For companies with a business cycle longer than one year, the business cycle duration shall apply.
- (4). The term "funding amount" refers to the cumulative balance of the company's short-term financing.
- (5). Loans provided by the company to foreign companies in which it directly or indirectly holds one hundred percent of the voting shares, or to foreign companies that hold one hundred percent of the voting shares in the company for fund lending, are not subject to the limitation in (2). However, the total amount of fund loans and the limit for individual objects shall still be specified, along with the funding term.

### 3. Capital loan and limit

#### (1). Individual Object Limits:

- a. For companies or businesses engaged in transactions with the company, the individual loan amount shall not exceed ten percent of the total transaction amount in the most recent fiscal year between the two parties or ten percent of the company's latest financial statement net value.
- b. For companies or businesses requiring short-term funding, the individual loan amount shall not exceed ten percent of the company's latest financial statement net value.

#### (2). Total Fund Loan Limit:

The total loan amount of the company shall not exceed twenty percent of the company's latest financial statement net value.

### 4. Evaluation Criteria for Fund Loans to Others:

- (1). When engaging in fund lending due to business transactions, the business transaction amount shall be used as the evaluation criterion. The term "business transaction amount"

refers to the higher of the purchase or sales amount between the two parties.

- (2). When engaging in fund lending due to the necessity of short-term funding, it should be limited to what the other company or business requires for operational turnover.

#### **5. Term and Interest Calculation for Fund Loans:**

- (1). Loan term: The term for each loan shall not exceed one year or one business cycle (whichever is longer).
- (2). Considering the daily bank lending rate, the interest amount shall be calculated by multiplying the total sum of the daily loan balance by the annual interest rate, then dividing by 365.

#### **6. Operating procedures**

- (1). The borrower submits a loan application to the company, and after the financial unit assesses its necessity and reasonableness, evaluates the creditworthiness of the borrower, and assesses the risks, including the impact on the company's operational risks, financial condition, and shareholder equity, it formulates relevant lending conditions. If necessary, the applicant may be required to provide equivalent collateral, guarantors, or establish collateral or mortgage rights.
- (2). After the financial unit's review, the evaluation results are submitted to the Board of Directors for decision-making. No other person is authorized to make decisions. For fund loans between the company and its parent or subsidiary, or between subsidiaries, the Chairman may be authorized to disburse funds within a specified limit and for a period not exceeding one year as resolved by the Board of Directors.
- (3). The specified limit mentioned above, except as provided in (2).(5), the company or its subsidiaries shall not authorize fund loans to a single enterprise exceeding ten percent of the company's latest financial statement net value.
- (4). In the presence of independent directors, their opinions should be fully considered, and their explicit agreement or dissenting opinions along with reasons should be recorded in the Board of Directors' minutes.
- (5). After the financial unit confirms the loan contract is signed and relevant collateral procedures are completed without error, the disbursement is made.
- (6). Following disbursement, the financial unit should arrange and preserve in order the contract, collateral documentation, and other related records.
- (7). After the loan disbursement, regular monitoring of the borrower, guarantors, their financial and business conditions, and credit status is necessary. If collateral is provided, any changes in its value should be monitored. In case of significant changes, the responsible manager should be informed immediately for appropriate action.

- (8). When the borrower repays the loan at maturity or before, the interest due should be calculated first. The collateral document can be canceled and returned to the borrower or collateral or mortgage rights can be extinguished only after the principal and interest are repaid in full.
- (9). The borrower should repay the principal and interest in full at the loan maturity. If an extension is required, the borrower should initiate extension procedures before the loan maturity. Non-compliance may lead the company to dispose of the collateral or seek recourse from the guarantor in accordance with the law.

#### 7. Internal control and information disclosure

- (1). When conducting fund loan transactions, the company should establish a record book detailing the parties involved, amounts, date of approval by the Board of Directors, date of fund disbursement, and items requiring careful evaluation for reference.
- (2). Internal audit personnel should audit fund loan operations and their implementation quarterly, maintaining written records. In case of significant violations, they should promptly notify all audit committee members in writing.
- (3). In case of changes leading to non-compliance with fund loan regulations or exceeding limits, an improvement plan should be developed. This plan should be submitted to all audit committee members for review and implemented as per the schedule.
- (4). In case of changes leading to non-compliance with fund loan regulations or exceeding limits, an improvement plan should be developed. This plan should be submitted to all audit committee members for review and implemented as per the schedule.
- (5). The company should announce the fund loan balances of the company and its subsidiaries for the previous month before the 10th of each month.
- (6). Fund loans meeting one of the following criteria should be publicly disclosed within two days of occurrence:
  - a. When the fund loan balances of the company and its subsidiaries exceed twenty percent of the company's latest financial statement net value.
  - b. When the fund loans to a single enterprise by the company and its subsidiaries exceed ten percent of the company's latest financial statement net value.
  - c. When newly added fund loans amount to or exceed NT\$10 million and two percent of the company's latest financial statement net value.
- (7). The term "date of occurrence" refers to the date of signing the contract, payment, Board of Directors' resolution date, or any other date sufficient to determine the fund loan object and transaction amount, whichever comes earlier.
- (8). The company should assess fund loan situations, set aside adequate bad debt provisions, disclose relevant information in financial reports, and provide necessary data to auditors for verification procedures.

8. Control Procedures for Subsidiaries of the Company Intending to Lend Funds to Others:

- (1). Prompting subsidiaries to establish "Fund Loan Operation Procedures" in accordance with relevant guidelines, and ensuring that the set procedures comply with the relevant guidelines.
- (2). Ensuring that subsidiaries conducting fund loan operations adhere to the established operation procedures.
- (3). The company's internal audit should review the self-assessment reports of subsidiaries.
- (4). For subsidiaries not classified as domestic publicly traded companies, fund loans requiring disclosure should be handled by the company.
- (5). For subsidiaries not classified as domestic publicly traded companies, the calculation of the fund loan balance as a percentage of net value should be based on the subsidiary's fund loan balance as a percentage of the company's net value.
- (6). The term "subsidiaries" referred to above is determined in accordance with the Financial Reporting Guidelines for Securities Issuers.
- (7). For preparers of IFRS, the term "net value" refers to the equity attributable to the owners of the parent company on the balance sheet of the securities issuer as stipulated in the IFRS preparation standards.

9. When relevant executives and responsible personnel of the company violate these regulations, the Human Resources Department shall administer appropriate disciplinary actions based on the nature of the violation.

10. Upon approval by the Audit Committee and the Board of Directors, the regulations shall be submitted for approval by the shareholders' meeting. In cases where directors express objections with recorded or written statements, the company shall forward these objections to all members of the audit committee and present them to the shareholders' meeting for discussion. The same process applies in case of revisions.

If independent directors are present, their opinions should be carefully considered when presenting these regulations to the Board of Directors for discussion. If independent directors have dissenting or reserved opinions, these should be clearly recorded in the Board of Directors' minutes.

The establishment or amendment of regulations regarding fund loans to others shall require agreement by at least half of all audit committee members and a board resolution, without applying the provisions of the second clause. If the agreement of at least half of the audit committee members is not obtained, a decision by at least two-thirds of all directors is permissible. The decision of the audit committee should be clearly recorded in the Board of Directors' minutes.

The term "all members of the audit committee" and "all directors" in the third clause refers to those currently in office.