

Sentien Printing Factory Co., Ltd.

Management Procedures for Transactions with Specific Companies, Group Enterprises, and Related Parties

1. Purpose:

To ensure that the company has clear strategies and specific regulations for handling transactions with specific companies, group enterprises, and related parties (hereinafter collectively referred to as related parties) in management, in order to achieve internal control objectives, protect the company's interests, and safeguard shareholders' investment interests, this procedure is established.

2. Definitions:

(1). A specific company of the company is defined as follows:

- a. Holds more than 20% but not exceeding 50% of the total issued shares of the company.
- b. The total shares held by the company and its directors, supervisors, and shareholders holding more than 10% of the total shares exceed 30% of the total issued shares of the company, and there has been a record of financial or business dealings between both parties. Shares held by the aforementioned personnel include those held by their spouses, minor children, and those held in the name of others.
- c. The company's operating income from the company and its affiliates exceeds 30%.
- d. The main raw materials (referring to those accounting for more than 30% of total purchase amounts and are essential raw materials for product manufacturing) or main products (accounting for more than 30% of total operating income) of the company come from the company and its affiliates, exceeding 50% in quantity or total purchase amount.
- e. The total purchase amount of the company from the company and its affiliates exceeds 50%.

(2). A group enterprise of the company is defined as follows:

- a. In a parent-subsidiary or affiliate relationship.
- b. The company and its related parties collectively hold more than half of the total issued voting shares or total capital of another company; or the other company and its related parties collectively hold more than half of the voting shares of the company.
- c. The company directly or indirectly controls the personnel, financial, or business operations of another company, or the other company directly or indirectly controls the personnel, financial, or business operations of the company.
- d. The company and another company each hold more than one-third of each other's voting shares or total capital, and can directly or indirectly control each other's personnel, financial, or business operations.
- e. More than half of the directors, supervisors, and general managers of the company and another

company are the same. This calculation includes spouses, children, and relatives within the second degree of kinship of such personnel. If a spouse of a director of the company also serves as a director in another company, it counts as one common seat.

- f. More than half of the total issued voting shares or total capital of the company and another company are held or invested by the same shareholders.
- g. For other investment companies evaluated using the equity method, the total shares held by the related parties of those investment companies exceed half of the company's total issued voting shares.

(3). According to Financial Accounting Standards Bulletin No. 6 "Disclosure of Related Party Transactions" and "Regulations Governing the Preparation of Financial Reports by Securities Issuers," a related party of the company is defined as follows:

- a. An invested company evaluated using the equity method.
- b. An investor whose investment in the company is evaluated using the equity method.
- c. The chairman or general manager of the company is the same person as the chairman or general manager of another company, or has a spouse or relative within the second degree of kinship with another company.
- d. A foundation that has received donations from the company amounting to more than one-third of the total capital.
- e. The company's directors, general managers, deputy general managers, and their immediate superior department heads.
- f. The spouses of the company's directors and general managers.
- g. Relatives within the second degree of kinship of the company's chairman and general manager.
- h. Related enterprises as defined in Chapter 6-1 of the Company Act and their directors and managers.
- i. Companies or organizations listed as related enterprises in the company's external publications or materials.

Even if any of the above situations exist, if it can be proven that there is no controlling ability or significant influence, it is not included; however, when determining whether it is a related party, in addition to considering its legal form, the substantive relationship must also be taken into account.

3. Operating Procedures:

- (1). The transactions referred to in this procedure mean the transfer of resources or obligations among related parties, regardless of whether there is any consideration.
- (2). The accounting unit should establish a list of related parties and regularly assess any additions or reductions; the list should be approved by the general manager.
- (3). Transactions between the company and related parties include:

- a. Sales
 - b. Purchases
 - c. Asset transactions, derivative transactions, corporate mergers, divisions, acquisitions, and share transfers
 - d. Financing
 - e. Endorsements and guarantees
 - f. Other transactions (commissions, technical authorizations, etc.)
- (4). Significant transactions between the company and related parties should fully disclose the transaction details and outcomes, including their impact on profits, losses, and financial status, in accordance with financial accounting standards.
- (5). The processing procedures for sales and purchases between the company and related parties, pricing decisions, payment conditions, and management of accounts receivable and payable arising from sales and purchases are as follows:
- a. Sales:
 - i. Processing procedures for transactions: handled according to the company's "Internal Control System" for sales and collection cycles.
 - ii. Pricing decisions: prices for related parties are determined the same as for general customers; however, the selling price must also consider the market price in the region where each related party is located.
 - iii. Payment conditions: based on the trading conditions of the company's customers, as agreed by both parties.
 - b. Purchases:
 - i. Processing procedures for transactions: handled according to the company's "Internal Control System" for procurement and payment cycles.
 - ii. Pricing decisions: prices for related parties are determined the same as for general suppliers; however, the purchase price must also consider international market prices and regional market prices where related parties are located.
 - iii. Payment conditions: based on the trading conditions of the company's suppliers, as agreed by both parties.
- (6). Business dealings between the company and related parties should clearly define pricing conditions and payment methods, and the purpose, price, conditions, substance and form of the transaction, and relevant processing procedures should not have significant discrepancies or unreasonable conditions compared to normal transactions with non-related parties.
- (7). If there are special factors or favorable conditions differing from general suppliers in sales or

purchases with related parties due to business needs, reasonable agreements may be made to provide preferential pricing or payment conditions; otherwise, pricing and payment conditions should be consistent with general suppliers.

- (8). For services or technical services between related parties, both parties should sign a contract specifying service content, service fees, duration, payment conditions, and after-sales services, which should be approved by the responsible authority before proceeding, and all terms of the contract should comply with general commercial practices and relevant internal control operational regulations.
- (9). Transactions involving assets, derivative transactions, corporate mergers, divisions, acquisitions, or share transfers between the company and related parties should be handled according to the "Regulations Governing the Acquisition or Disposal of Assets by Publicly Issued Companies" and the company's "Procedures for Acquiring or Disposing of Assets."

If acquiring or disposing of securities from related parties, or acquiring securities targeting related enterprises, the most recent financial statements audited or reviewed by accountants should be obtained prior to the occurrence of the facts as a reference for assessing transaction prices. If the transaction amount reaches 20% of the company's paid-in capital, 10% of total assets, or exceeds NT\$300 million, an accountant should be consulted for opinions on the reasonableness of the transaction price prior to the occurrence of the facts. However, if the securities have active market public quotes or are otherwise regulated by the Financial Supervisory Commission, this is not applicable.

If acquiring or disposing of intangible assets or their usage rights, or transactions of membership certificates reach 20% of the company's paid-in capital, 10% of total assets, or exceed NT\$300 million, an accountant should be consulted for opinions on the reasonableness of the transaction price prior to the occurrence of the facts.

- (9-1). If the company acquires or disposes of real estate or its usage rights, or acquires or disposes of other assets from related parties and the transaction amount reaches 20% of the company's paid-in capital, 10% of total assets, or exceeds NT\$300 million, except for the purchase of publicly traded bonds, bonds with buyback conditions, or the purchase of domestic securities investment trust businesses' issued money market funds, the following materials must be submitted to the board for approval before signing the transaction contract and making payments:
- a. A valuation report issued by a professional appraiser as required.
 - b. The purpose, necessity, and projected benefits of acquiring or disposing of the assets.
 - c. The reasons for selecting related parties as transaction objects.
 - d. Information to assess the reasonableness of the proposed transaction conditions in accordance with

Articles 16 and 17 of the "Regulations Governing the Acquisition or Disposal of Assets by Publicly Issued Companies."

- e. The date and price at which the related party originally acquired the assets, the transaction object, and their relationship with the company and related parties.
- f. A cash flow forecast for the upcoming year starting from the month of the proposed contract, assessing the necessity of the transaction and the reasonableness of fund utilization.
- g. Restrictive conditions and other important agreements regarding the transaction.
- h. An accountant's opinion on whether the related party transaction complies with general commercial conditions and does not harm the interests of the company and its minority shareholders.

For transactions involving the acquisition or disposal of real estate, equipment, or their usage rights, if the transaction amount reaches 20% of the company's paid-in capital, 10% of total assets, or exceeds NT\$300 million, a valuation report from a professional appraiser should be obtained. If the valuation result differs from the transaction amount by more than 20%, the accountant should provide specific opinions on the reasons for the discrepancy and the appropriateness of the transaction price, and the board must have more than two-thirds of directors present, with a majority of those present agreeing. If the actual transaction price is higher than the assessed transaction cost when acquiring real estate or its usage rights, and objective evidence and specific reasonable opinions from appraisers and accountants cannot be provided, the board should fully assess whether the transaction harms the interests of the company and shareholders, and if necessary, reject the transaction.

If the board approves the aforementioned transaction, the company must allocate the difference between the transaction price and the assessed cost to special surplus reserves, which cannot be distributed or used for capital increase shares, and must report the handling of the transaction to the shareholders' meeting and disclose the details in the annual report and public prospectus.

If there are any of the following circumstances regarding transactions with related parties, they must still submit the information in the first item to the shareholders' meeting for approval, and shareholders with vested interests must not participate in the vote:

- a. The company or its non-public subsidiary has a transaction in the first item, and the transaction amount exceeds 10% of the company's total assets.
- b. According to the Company Act, the company's articles of association, or internal operating procedures, if the transaction amount or conditions significantly affect the company's operations or shareholders' interests.

If the company has transactions with related parties in the first item, it should report the actual transaction situation (including actual transaction amounts, transaction conditions, and the information in the first item) to the most recent shareholders' meeting after the end of the year.

When the board must approve according to this article, it should first be agreed by more than half of the members of the audit committee and then submitted to the board for resolution, applying the provisions of Articles 6.4 and 6.5 of the "Regulations Governing the Acquisition or Disposal of Assets by Publicly Issued Companies."

- (10). If there is a need for financing between the company and related parties, careful assessment should be conducted in accordance with the "Regulations Governing the Lending of Funds and Endorsements and Guarantees by Publicly Issued Companies" and the company's "Procedures for Lending Funds to Others," and lending must be approved by the board before proceeding; no other person may be authorized to make such decisions.
- (11). If there is a need for endorsements and guarantees between the company and related parties, careful assessment should be conducted in accordance with the "Regulations Governing the Lending of Funds and Endorsements and Guarantees by Publicly Issued Companies" and the company's "Endorsement and Guarantee Procedures." Endorsements and guarantees can be authorized by the board within a certain amount, but must be reported to the most recent board meeting for confirmation afterward.
- (12). Significant transactions between the company and related parties, excluding general sales and purchasing transactions, must first be approved by the board; however, if there is an urgency, the chairman may make a decision first and then seek board approval afterward. When submitting for board approval, the following materials should be provided:
 - a. The items, purposes, necessity, and expected benefits of the transaction.
 - b. The reasons for selecting related parties as transaction objects.
 - c. Principles for calculating the transaction price and the expected upper limit of the total annual transaction amount.
 - d. A description of whether the transaction conditions comply with normal commercial terms and do not harm the interests of the company and shareholders.
 - e. Restrictive conditions and other important agreements regarding the transaction.Transactions with related parties must report the following matters to the most recent shareholders' meeting after the end of the year:
 - a. Actual transaction amounts and conditions.
 - b. Whether it was conducted according to the transaction price calculation principles approved by the board.
 - c. Whether it exceeded the total annual transaction amount limit approved by the board. If it exceeded the limit, reasons, necessity, and reasonableness must be explained.
- (13). For financial business dealings with related parties requiring board resolution, the opinions of all independent directors should be fully considered, and their clear agreement or disagreement and

reasons for opposition should be recorded in the board minutes.

Directors with vested interests in matters discussed at meetings, which may harm the interests of the company, should avoid participating in discussions and votes, and should not authorize other directors to exercise their voting rights. Directors should self-regulate and not support each other improperly. The spouses, blood relatives within the second degree, or companies with a controlling subordinate relationship with a director will be considered as having a vested interest in the matters discussed at the aforementioned meeting.

- (14). Significant transactions between the company and related parties must be fully disclosed in the annual report, financial statements, three related enterprise forms, and public prospectus. If related parties face financial difficulties, the company should obtain their financial statements and relevant information to assess the impact on the company's finances, business, or operations. If necessary, appropriate security measures should be taken regarding the company's claims. In such cases, in addition to indicating the impact on the company's financial condition in the annual report and public prospectus, significant information should also be promptly disclosed on the public information observatory.
- (15). Other matters not stipulated shall be handled according to the company's internal control system and relevant regulations.
- (16). The accounting unit should reconcile sales and purchases as well as accounts receivable and payable balances with related parties after each month's closing. If there are discrepancies, the reasons should be investigated, and necessary adjustments or corrections should be made.
- (17). The formulation and amendments of this operating procedure must be approved by the company's board of directors.

4. Control Focus:

- (1). Whether the transactions arising from business dealings between the company and related parties (including transaction prices and payment conditions) are significantly disproportionate or unreasonable compared to normal transactions between the company and non-related parties.
- (2). Whether the accounting unit periodically reconciles the sales and purchases and the accounts receivable and payable balances with each related party.
- (3). Whether significant transactions between the company and related parties are approved by the board and adequately consider the opinions of independent directors.
- (4). Whether asset transactions, derivative transactions, corporate mergers, divisions, acquisitions, or share transfers between the company and related parties are conducted according to the company's "Procedures for Acquiring or Disposing of Assets."
- (5). Whether endorsements and guarantees between the company and related parties are conducted

according to the company's "Endorsement and Guarantee Procedures."

(6). Whether lending between the company and related parties is conducted according to the company's "Lending Procedures."