



Sercomm Corporation **Rules Governing Financial and Business Matters Between** **the Company and its Related Parties**

Article 1

To ensure sound financial and business interactions between the Company and its related parties, and to prevent irregular transactions and improper channeling of interests with respect to the purchase and sale of goods, the acquisition and disposal of assets, the provision of endorsements and guarantees, and loans of funds between the Company and its related parties, these Rules are adopted pursuant to Article 17 of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies.

Article 2

Except as otherwise provided by law and regulation or by the Articles of Incorporation, financial and business matters between the Company and any of its related parties shall be handled in accordance with the provisions of these Rules.

Article 3

The term "related party" referred herein shall be determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The term "affiliated enterprise" as used herein means an enterprise that, in accordance with Article 369-1 of the Company Act, exists independently and

has either of the following relationships with the Company:

- I. A relationship of control or subordination.
- II. A relationship of mutual investment. In determining whether a relationship of control or subordination exists as described in the preceding subparagraph, the substance of the relationship shall be considered in addition to the legal form.

Article 4

The Company shall establish an effective internal control system designed for transactions with related parties (including affiliated enterprises) in regard to its overall operational activities, and shall continue to review the system in order to adapt to changes in the internal and external environment and ensure that the system's design and operation remain effective.

The Company shall ensure that subsidiaries establish effective internal control systems, taking into account the laws and regulations of the jurisdiction in which they are located and the nature of its operations. For any related party that is not a public company, the Company shall still require effective internal control and management systems for financial, business, and accounting matters, in consideration of the degree of influence they have on the Company's business and finances.

Article 5

In addition to implementing the internal control system, the Company shall pay close attention to the following matters when exercising supervision over the operation and management of its affiliated enterprises:

- I. The Company shall obtain an appropriate number of director and supervisor seats in the affiliated enterprise in accordance with its shareholding percentage.
- II. A director that the Company assigns to an affiliated enterprise shall regularly attend its board meetings in order to monitor its operation, carefully review its corporate objectives and strategy, financial position, business performance, cash flows, and important contracts, as reported by the various members of the affiliate enterprise's management. The director assigned to the affiliated enterprise shall ascertain the cause of any irregularity found, compile a record, and report the matter to the chairperson or president of the Company.
- III. A supervisor assigned to an affiliated enterprise by the Company shall supervise the affiliate's business operations, investigate its financial and business conditions, and review its books, records and audit reports, and may also request reports from the affiliate's Board of Directors or managerial officers. For any irregularity that may be found, the supervisor assigned to the affiliate shall ascertain the cause, compile a record, and report to the chairperson or president of the Company.
- IV. The Company shall assign competent personnel to assume important positions at its affiliated enterprise, such general manager, financial officer, or internal audit officer, to handle management, decision-making, supervision, and evaluation duties.
- V. The Company, in consideration of the type of business, operation scale, and personnel of a subsidiary, shall instruct the subsidiary in the procedures and methods for establishing an internal audit unit and adopting internal control self-inspection operations.
- VI. In addition to reviewing audit or self-inspection reports submitted by each subsidiary, the Company's internal audit personnel must also carry out audits of the subsidiaries on a scheduled

or unscheduled basis. After audit findings and recommendations have been presented, they shall instruct the audited subsidiaries to make any necessary corrections, and shall prepare follow-up reports on a regular basis to ensure timely corrective actions.

- VII. Subsidiaries of the Company shall regularly (e.g., before the 15th of each month) submit monthly financial statements for the preceding month, including balance sheets, income statements, statements of expenses, statements of cash flow and cash flow forecasts, accounts receivable aging schedules and statements of delinquent accounts receivable, aging inventory analyses, and statements of loans to others and endorsements/guarantees. In the event of irregularities, analysis reports shall also be submitted to allow management and control by the Company. Other affiliated enterprises shall also regularly (e.g., before the 15th of each quarter) submit financial statements for the preceding quarter, including balance sheets and income statements, for analysis and review by the Company.

Article 6

Managers of the Company may not concurrently serve as managerial officers in any affiliated enterprises, and shall not engage in similar business as the Company, either on the officer's own behalf or with another party, unless otherwise approved by a resolution of the Board of Directors. The Company and its affiliated enterprises shall clearly define their personnel management roles and responsibilities, and avoid personnel transfers. However, where personnel support or transfer is indeed necessary, the scope of work, division of powers and responsibilities, and allocation of costs shall be specified in advance.

Article 7

The Company should establish effective financial and business communication with affiliated enterprises, and regularly conduct comprehensive risk assessments of their banks, key clients, and suppliers to mitigate credit risks. With respect to affiliated enterprises with which it has financial and business interactions, the Company shall especially maintain close control over material financial and business items for the purpose of risk management.

Article 8

Any loans or endorsements/guarantees between the Company and a related party shall be carefully assessed and carried out in compliance with the provisions of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and with the procedures prescribed by the Company regarding loans to others and provision of endorsements/guarantees.

With respect to the provision of loans, endorsements, or guarantees between the Company and a related party, the matters set out below shall be closely reviewed, and results of the assessment submitted to the Board of Directors. Any loan of funds shall be made only by a resolution of the Board of Directors, with no other party authorized to decide on the matter. The Board of Directors, in accordance with the preceding paragraph, may authorize the chairperson to provide endorsements or guarantees within a specific limit, subject to ratification at the next Board meeting.

- I. The necessity and the reasonableness of the loan or the endorsement or guarantee. For loans or endorsements/guarantees made due to business transactions, an assessment shall be made to determine whether the loan amount or the endorsement/guarantee amount is commensurate with the total business amount involved. If short-term financing is necessary, the reasons and circumstances for the loan must be specified.
- II. Risk assessment of loan or endorsement/guarantee recipients.
- III. Impact on operational risks, financial status, and shareholder equity.
- IV. Whether collateral must be obtained, and an appraisal of its value.

According to the provisions of Paragraph 2, Article 5 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, a subsidiary in which the Company directly and/or indirectly holds ninety percent (90%) or more of the voting shares shall report to the Board of Directors meeting of the Company for a resolution before making any endorsement and guarantee.

However, this restriction shall not apply to endorsements and guarantees made between companies in which the Company directly and/or indirectly holds one hundred percent (100%) of the voting shares.

Loans between the Company and its subsidiaries, or between subsidiaries, should be submitted to the Board of Directors for approval. The Chairperson shall be authorized to disburse or use the loan in installments or on a revolving basis to the same party approved by the Board of Directors, within a specified loan amount and period not exceeding one year.

Any loans or endorsements/guarantees between the Company and a related party shall take into consideration the opinions of independent director(s), and their opinions expressing assent or dissent, as well as their reasons for dissent, shall be recorded in the meeting minutes of the Board of Directors.

For foreign companies in which the Company directly or indirectly holds 100% of the voting shares, if there is a need for short-term financing, the amount of financing is not subject to the restriction of 40% of the net worth of the lending enterprise. For companies in which the Company directly or indirectly holds over 90% of voting shares, the endorsement/guarantee amount must not exceed 10% of the Company's

net worth. However, this restriction shall not apply to endorsements and guarantees made between companies in which the Company directly and/or indirectly holds one hundred percent (100%) of the voting shares.

The Company shall properly implement subsequent control measures with respect to loans or endorsements/guarantees. When there is a likelihood of overdue claims or the occurrence of loss, the Company shall adopt appropriate measures to safeguard its rights and interests.

Article 9

Business transactions between the Company and related parties should have clearly defined pricing terms and payment methods. The purpose, pricing, conditions, substance and form of the transaction, as well as related procedures, should not be significantly different from or unreasonable compared to normal transactions with non-related parties.

When business needs require the purchase of finished products, semi-finished products, or materials from related parties, purchasing personnel should thoroughly evaluate the fairness of the price quoted by the related party based on market prices and other transaction terms. Except in special circumstances, or given advantageous conditions different from general suppliers, prices and payment terms should be consistent with those for general suppliers.

Price quotes for the sale of any finished products, semi-finished products, or materials to related party shall be made with reference to current market prices. Except in cases of long-term cooperation or other special factors that are different from ordinary clients, under which reasonable stipulations may be made to grant preferential pricing or terms of payment, prices and payment terms should be consistent with those offered to ordinary clients.

For professional or technical services provided between the Company and a related party, both parties shall enter into a contract stipulating the scope of the services, fees charged, time period, payment terms, and after-sales service. The contract shall be implemented after approval by the President or Chairperson of the Company, and all contract terms and conditions shall comply with normal business practices.

By the end of each month, the accounting personnel of both the Company and its related parties shall perform cross checks of the purchases and sales of goods between them for the preceding month and the related balances of accounts payable and receivable. If any discrepancies are found, accounting personnel shall identify the cause and prepare a reconciliation statement.

Article 9-1

For purchases and sales of goods, professional or technical services provided between the Company and a related party expected to reach 5% of the Company's latest consolidated total assets or annual consolidated net revenue, excluding transactions covered by the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or transactions between the Company and its parent or subsidiaries, the following information must be submitted to and approved by the Board of Directors before proceeding:

- I. The items, purpose, necessity, and anticipated benefits of transactions.
- II. The reason for choosing the related party as a transaction counterparty.
- III. The principle for calculating transaction prices and the estimated annual transaction amount limit.
- IV. Description of whether transaction terms are consistent with regular commercial terms and that these terms will not damage company interest or shareholder equity.
- V. Restrictions on transaction and other important terms and conditions.

The following particulars regarding transactions with related parties in the preceding paragraph shall be reported at the most recent shareholders' meeting after the end of a year:

- I. Actual transaction amount and conditions.
- II. Whether the transaction was conducted according to pricing principles approved by the Board.
- III. Whether the total value is under the limit on annual transaction value approved by the Board of Directors. If the transaction amount exceeds the limit, the reasons, necessity, and justification should be described.

Article 10

The transaction of assets, derivative trading, merger, demerger, acquisition, or share transfer between the Company and related parties shall be conducted in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the procedures for acquisition and disposal of assets prescribed by the Company.

The acquisition or disposal of securities from or to related parties, or acquisition of securities targeting affiliated enterprises, shall obtain the audited or reviewed financial statements of the target company for the most recent period before the transaction date as a price reference. If the amount of the transaction is 20% or more of the Company's paid-in capital, 10% of its total assets, or NT\$300 million or more, the Company shall also consult an accountant for an opinion on price reasonableness before the transaction date, except for securities quoted on an active market or as otherwise required by the Financial

Supervisory Commission. However, this does not apply to securities that have active market quotations or are subject to other regulations by the Financial Supervisory Commission.

For transactions involving the acquisition or disposal of intangible assets, their usage rights, or membership certificates with related parties, if the transaction amount reaches 20% of the Company's paid-in capital, 10% of the total assets, or exceeds NT\$300 million, a CPA should be consulted to provide an opinion on the reasonableness of the transaction price prior to the date of occurrence.

Article 11

For the acquisition or disposal of real property or right-of-use assets thereof from or to related parties, or the acquisition or disposal of other assets with related parties, if the transaction amount reaches 20% of the Company's paid-in capital, 10% of the total assets, or exceeds NT\$300 million, excluding government bonds, bonds with repurchase agreements, or the subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the following information must be approved by the Audit Committee and Board of Directors before contract signing and payment:

- I. An appraisal report from a professional appraiser or a CPA's opinion obtained as required by regulations.
- II. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- III. The reason for choosing the related party as a transaction counterparty.
- IV. Information relating to appraisal of the reasonableness of the proposed transaction terms when acquiring real estate from a related party in accordance with Articles 16 and 17 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
- V. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship with the Company and the related party.
- VI. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- VII. Restrictive covenants and other important stipulations associated with the transaction.
- VIII. In addition to the aforementioned information, it is advisable to engage a CPA to provide an opinion on whether transactions with related parties comply with general commercial conditions and do not harm the interests of the Company and its minority shareholders.

For transactions involving the acquisition or disposal of real estate, equipment, or rights-of-use assets where the amount reaches 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million or more, the Company shall obtain an appraisal report issued by a professional appraiser. If the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount, the Company shall also request a CPA to provide a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price, and it shall be approved by a majority of the directors in attendance at a board meeting attended by two-thirds or more of the directors.

Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal, if the actual transaction price is higher than the appraised transaction cost, and objective evidence or specific reasonable opinions from real estate appraisers and accountants cannot be provided, the Board of Directors shall thoroughly review and evaluate whether the transaction harms the interests of the Company and its shareholders, and if necessary, reject the transaction.

When approved by the Audit Committee and the Board of Directors, the Company shall allocate the difference between the transaction price and the appraisal cost to a special surplus reserve, which cannot be distributed or used for capital increase and stock distribution. The handling of these transactions shall be reported to the shareholders' meeting, and the detailed contents of the transactions shall be disclosed in the annual report and prospectus.

For related party transactions under the following circumstances, even after board approval, all items from the first paragraph must be submitted to the shareholders' meeting for resolution; shareholders with personal interests in the matter may not participate in the vote:

- I. The Company, or its subsidiary that is not a domestic listed company, has performed the transaction in the first paragraph, and the amount of the transaction is 10% or more of the Company's total assets.
- II. If, according to the Company Act, the Company's Articles of Incorporation, or internal operating procedures, the transaction amount or conditions have a significant impact on the Company's operations or shareholders' equity.

If the Company engages in the first type of transaction with related parties, the actual transaction details (including the actual transaction amount, transaction conditions, and the information listed in the first item) should be reported to the most recent shareholders' meeting after the end of the fiscal year.

Article 12

Financial and business transactions with related parties that require board approval shall fully take into consideration the opinions of independent director(s), and their opinions expressing assent or dissent, as well as their reasons for dissent, shall be recorded in the meeting minutes of the Board of Directors.

If a director or a juristic person that the director represents is an interested party in relation to an agenda item, and the relationship is likely to prejudice the interest of the Company, that director should recuse him/herself from the discussion or voting on the item, and may not exercise voting rights as proxy for another director. Directors shall maintain self-discipline and may not enter into relationships of inappropriate mutual support with other directors.

If a director's spouse, blood relatives within the 2nd degree of relationship, or a company controlled by that director is an interested party in relation to an agenda item as mentioned in the preceding paragraph, the director him/herself will be deemed as an interested party with respect to that agenda item.

Article 13

The Company should comply with the legal requirements for announcements or reporting matters and their deadlines, promptly arrange for each subsidiary to provide the necessary financial and business information, or retain CPAs to audit or review the financial reports of each subsidiary.

The Company shall publicly disclose the consolidated balance sheets, consolidated statements of comprehensive income, and CPA secondary review reports covering affiliated enterprises by the deadlines for the filing of the annual financial reports as stipulated by law. Information on any increase, decrease, or other changes in affiliated enterprises should be filed with the TWSE or TPEX within 2 days of the change. Information on any material transaction between the Company and a related party shall be fully disclosed in the annual report, financial statements, the three reporting forms for affiliated enterprises, and prospectuses.

If a related party experiences financial difficulties, the Company shall obtain its financial statements and related materials in order to assess the resulting effect on the Company's finances, business, or operations; when necessary, appropriate measures shall be adopted to safeguard the Company's rights as a creditor. Under the above circumstances, in addition to specifying the impacts on the Company's financial position in its annual report and prospectus, the Company shall also make a timely announcement of material information on the Market Observation Post System.

Article 14

When any of the following circumstances applies to an affiliated enterprise, the Company shall announce and report the relevant information on its behalf:

- I. For a subsidiary whose shares have not been publicly issued domestically, if the amount involved in acquiring or disposing of assets, providing endorsements or guarantees, or lending funds to others reaches the reporting standards.
- II. The parent or the subsidiary undergoes bankruptcy or reorganization proceedings pursuant to applicable laws and regulations.
- III. Significant decisions made by the Board of Directors of affiliated companies that have a major impact on the Company's shareholders' equity or stock prices.
- IV. If any of the Company's subsidiaries have material information that meets the requirements for disclosure under the provisions of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.

Article 15

These Rules hereof come into force after being ratified in board meetings, and the same shall apply to any revisions.

Article 16

These procedures were established on November 9, 2023.