

## **Procedures for Loaning of Company Funds**

### **Article 1. Purpose and Legal Basis**

The company established this procedure in accordance with Article 36-1 of the Securities Transactions Act and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” by the Securities and Futures Bureau of the Financial Supervisory Commission. Any capital lending by the company to any person shall be done in accordance with this procedure.

### **Article 2. Funds Borrower**

1. Company or enterprise that has business transactions with the company (hereinafter the “borrower”).
2. Company requiring short term financing as recognized by the board of directors (hereinafter the “borrower”).

### **Article 3. Funds Lending Evaluation Standard**

1. Any Funds lending by the company to any other company or enterprise under business relationship shall be in accordance with Subsection 2, Section 1, Article 4.
2. Funds lending to meet short term financing requirements as recognized by the board of directors shall be limited to the following:
  - (1) Company with parent and subsidiary relationship with the company that requires short term financing due to business needs.
  - (2) Company or enterprise invested by the company under the equity method that requires short term financing due to procurement of materials or operations.

Subsidiary and parent company referred to shall be determined in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

"net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Article 4. Total Funds Lending Amount and Individual Amount Limit**

1. The total amount of funds lending by the company shall not exceed 10% of the company's net value.
2. For lending due to business dealings, the individual lending amount shall not exceed the amount of the business dealing. Amount of business dealing means the amount of product purchase or product sale, whichever is higher.
3. For lending of short term financing, the individual lending amount shall not exceed 10% of the company's net value. The amount of short term financing means the accumulated balance of short term lending amount by the company.
4. Funds lending among overseas companies whose 100% voting shares are directly or indirectly held by the company or funds borrowing by overseas companies in which the company directly or indirectly holds 100 percent of the voting shares to the company is not subject to the restrictions under the previous three sections. The aggregate amount of loans and the maximum amount permitted to a single borrower shall each be prescribed separately for business transactions and for short-term financing respectively.

5. The responsible person of a company who has violated the provisions of Paragraph 1~4 shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.

#### **Article 5.**Term and Interest Calculation of Capital Financing

1. Short term financing requirement with the company means a term that is one year or one business cycle (whichever is longer).
2. The company may waive interest for funds lending to any company whose 100% voting shares are held directly or indirectly by the company. For other lending to companies or enterprises approved by the company, interest shall accrue at the basic lending rate of the Bank of Taiwan for the current month plus 2%. If the borrower fails to perform the financing contract, monthly interest shall accrue at the original interest rate times 1.1 starting from the date of violation of the financing contract.
3. In case of any special situation and subject to the approval of the board of directors, lending may be extended upon expiry based on the actual situation.

#### **Article 6.**Decision Level

1. When the company contemplates to lend funds, a resolution by the board of directors shall be required. No other person shall be authorized to make the decision.
2. For funds lending between the company and its subsidiary or among the company's subsidiaries, the board of directors may authorize the chairman to approve several drawdowns or revolving drawdowns by the same borrower within a period of one year within a certain amount resolved by the board of directors. Other than overseas companies whose 100% voting shares are directly or indirectly held by the company, the authorized amount of funds lending from the company or the subsidiary to any single enterprise shall not exceed 10% of the net value on the company's latest financial statements.
3. When the company contemplates to lend funds in accordance with the previous section, opinions of independent directors shall be fully taken into consideration and their specific opinions for approval or objection and the reasons for objection shall be included in the minutes of the board meeting.

#### **Article 7.**Application and Review Procedure

The relevant procedure for the company's funds lending shall be undertaken by the finance department. For funds lending within the amount limit under Article 4, the borrower shall complete an application form. The processing department shall prepare a substantial review and evaluation report and process following submission to and resolution by the board of directors. The evaluation report shall include the following:

1. Necessity and reasonableness of funds lending.
2. Credit and risk evaluation of the borrower.
3. Impact on the company's operational risk, financial status and shareholder interest.
4. Whether collateral should be obtained and evaluation of the collateral's value.

#### **Article 8.**Warranty and Guarantee

When the company performs funds lending, if the board of directors deems it necessary, the borrower shall be required to provide collateral equivalent to the lending amount and to carry out a pledge or mortgage creation procedure to ensure the company's creditor's right. If the borrower

provides a guarantee from an individual or company with equivalent financial status or credit in lieu of collateral, the board of directors may proceed in reference to the opinion of the finance department. If a corporate guarantee is provided, the corporate guarantor shall have provisions about the guarantee in its articles of association and the minutes showing relevant resolutions by the shareholder meeting or board of directors shall be submitted.

#### **Article 9. Insurance**

1. Other than land and securities, collateral shall be covered by fire insurance and other accident insurance. Boats and vehicles shall be covered by full risk insurance. The insurance amount shall not be lower than the collateral value in principle. The insurance policy shall specify the company as the beneficiary. The name, quantity, location of the object, insurance condition and insurance approval notes under the insurance policy shall be consistent with the conditions of lending originally approved by the company. If a building does not have a street number at the time of creation of collateral, the address shall be indicated by the land section and land number where it is located.
2. The insurance period shall cover the funds lending period. If approval is obtained to extend the lending period, the processing staff shall duly inform the borrower to continue the insurance prior to the expiry of the insurance period.

#### **Article 10. Credit Verification**

1. For first time borrowers, the borrower shall provide basic information and financial information so that the processing department can carry out credit verification.
2. For any extended borrowing, in principle, the finance department shall perform credit verification once every year. In significant cases, credit verification shall be performed once every six months based on actual requirements.
3. For any extended borrowing, if the company has a sound financial system and good track records of repayment, and if the annual financial statements have been certified by an accountant, the financial reports between the past one to two years may continue to be used and lending may be approved following accountant's audit report.
4. If the borrower is a subsidiary whose 100% voting shares are held directly or indirectly by the company, the credit verification may be waived and the restriction under section 3 is not applicable.

#### **Article 11. Loan Approval**

1. Following credit verification or verification, if the lending will not be released because the borrower has bad credit or if the purpose for the loan is inappropriate, the processing staff shall seek approval for the reason for decline and inform the borrower timely.
2. Following review and evaluation, for cases with good credit, appropriate lending purpose and no negative impact on the company's finance, business and shareholder interest, the processing staff shall submit the credit verification and evaluation report together with the contemplated lending amount, duration and interest rate to the board of directors for decision.
3. After a lending case is approved, the processing staff shall inform the borrower by letter or telephone as soon as possible, detailing the company's lending conditions, including the amount, duration, interest rate, collateral, insurance and guarantor and require the borrower to sign a contract and carry out a collateral pledge and guarantor procedure within a deadline.

## **Article 12. Contract Signing and Guarantor**

1. For any lending case, the processing staff shall draft the contract provisions. If required, the provisions shall be submitted to the legal consultant for an opinion. The procedure for contract signing shall then be carried out.
2. The provisions of the contract shall be consistent with the lending conditions. Following signatures by the borrower and the joint liability guarantor on the contract, the processing staff shall carry out the guarantee procedure.

## **Article 13. Advance**

After a lending proposal is approved, the finance department shall only release the amount after the borrower has signed the contract, submitted promissory note and completed registration of mortgage (pledge) creation on the collateral.

## **Article 14. Subsequent Control Measures for Amount Advanced**

1. After lending is advanced, the financial, business and credit situation of the borrower and the guarantor shall be monitored. Verifications shall be made as to whether the value of collateral (pledge) has been changed. Any significant change shall be immediately reported to the chairman and handled in accordance with the chairman's instructions.
2. Before the advance is due, the borrower shall be notified to repay the principal and interest when due or to carry out extension procedure.
3. When the borrower repays the loan on or before the due date, interest payable shall first be calculated and paid together with the principal. Then the promissory note shall be cancelled and returned to the borrower or the pledge shall be cancelled.
4. If the borrower wishes to extend the borrowing before the due date, a new application shall be filed in accordance with this procedure.
5. Every month, the processing staff shall prepare a funds lending details table for the previous month and submit it to the persons with due authority for review and approval.

## **Article 15. Overdue Debt**

1. The borrower shall repay the principal and interest when the lending is due. If the borrower cannot repay and needs an extension, it shall file a request in advance for approval by the board of directors. Each extension of repayment shall not exceed one year and there shall be no more than one extension. In case of any violation, the company shall carry out disposal and claim in accordance with law on the collateral provided or against the guarantor.
2. The company shall evaluate the funds lending situation and make appropriate bad debt provision. Relevant information shall also be disclosed in the financial reports. Relevant information shall be provided to the certifying accountant to perform the necessary audit procedure.

## **Article 16. Public Announcement**

1. A public announcement shall be made by the 10<sup>th</sup> day of each month about the balance of funds lending by the company and its subsidiaries for the previous month.
2. If the balance of funds lending reaches any of the following thresholds, a public announcement shall be made within 2 days commencing immediately from the date of occurrence:

- (1) The balance of funds lending by the company and its subsidiaries exceeds 20% of the net value based on the company's latest financial statements.
  - (2) The balance of funds lending by the company and its subsidiaries to any single enterprise reaches 10% of the net value based on the company's latest financial statements.
  - (3) The amount of new funds lending by the company or its subsidiaries exceeds NT\$10 Million and reaches 2% of the net value based on the company's latest financial statements.
3. If any subsidiary of the company that is not a domestic publicly traded company has any matter that is subject to public announcement in accordance with the previous section, the company shall make a public announcement on behalf of the subsidiary.
  4. The percentage of the subsidiary's funds lending balance over the net value shall be calculated based on the subsidiary's funds lending balance as a percentage to the company's net value.
  5. "Date of occurrence" in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the funds lending, whichever date is earlier.

#### **Article 17. Control Procedure for Funds Lending by Subsidiary**

1. When the subsidiary of the company contemplates to lend funds, the company shall ensure that the subsidiary performs in accordance with the funds lending procedure established in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" by the Securities and Futures Bureau, provided that the net value shall be calculated based on the net value of the company.
2. Any subsidiary of the company except Nova Technology Corp. and its subsidiaries that contemplate to carry out funds lending shall only do so after reporting to and approval from the company. The company's finance department shall perform substantial evaluation of the necessity, reasonableness and risk of such funds lending, as well as its impact on the operations risk, financial status and shareholder interest of the parent company and the subsidiary, and submit such evaluation to the chairman for approval.
3. The finance department shall obtain the funds lending balance details table from each subsidiary in the beginning of each month.
4. The company's internal audit staff shall perform regular audit on the compliance by each subsidiary to its "Funds Lending Procedure" and make audit reports. The discoveries and suggestions of the audit report shall be explained and notified to each audited subsidiary for improvement. Regular follow-up reports shall be made to ensure that appropriate improvement measures have been undertaken in time.
5. The finance department of the company shall regularly evaluate whether the follow-up control measures over amount advanced and procedure for handling overdue debt of the subsidiary are appropriate.

#### **Article 18. Establishment of Reference Book**

The company shall establish a reference book for carrying out funds lending matters, recording in detail for future reference the funds borrower, amount, date of board approval, date of funds lending and matters requiring careful evaluation in accordance with Article 7.

#### **Article 19. Other Matters**

1. The management activities under this procedure shall be included in the internal control system and duly implemented. The internal audit shall perform at least quarterly inspection and

evaluation of the performance of the above provisions and written records shall be prepared. In case of any significant violation, all audit committee shall be notified in writing.

2. If the company exceeds the limit of lending balance due to any change of circumstances, a correction plan shall be established and sent to audit committee. And the company shall complete the rectification according to the timeframe set out in the plan.

#### **Article 20. Penalty**

If any manager and responsible staff of the company violates the “Guidelines for Funds Lending and Endorsement and Guarantee Procedure for Publicly Traded Companies of the Securities and Futures Bureau” or the “Funds Lending Procedure” of the company, a sanction shall be imposed based on the gravity of the matter in accordance with the company’s human resource management rules and work rules, with regular report and audit.

#### **Article 21. Relevant Legislations**

Any matter that is not fully provided for hereunder shall be handled in accordance with relevant legislations.

#### **Article 22. Implementation and Amendment**

1. This procedure shall be implemented after it is approved by more than half of all audit committee members, submitted to the board of directors for further approval and submitted to the shareholder meeting for approval. If any director voices any objection by recording or written statement, the company shall submit the objection to the audit committee and shareholder meeting for discussion. The same procedure shall be applicable to any amendment hereof.
2. If approval by more than half of all members of the Audit Committee is not obtained as mentioned above, as long as approval from more than two-thirds of all members of the Board of Directors is obtained, it may be implemented and resolution reached by the Audit Committee shall be indicated in the Board of Director meeting minutes. "All members of the Audit Committee" and "all members of the Board of Directors" indicated in the foregoing paragraph refer to the actual number of incumbent members.
3. When the funds lending procedure is submitted to the board of directors for discussion in accordance with paragraph1, opinions of independent directors shall be fully taken into consideration. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

#### **Article 23. Date of Establishment and Amendment**

This procedure was established on 3 May, 2005.

The first amendment to this procedure was made on 16 June, 2009.

The second amendment to this procedure was made on 10 June, 2010.

The third amendment to this procedure was made on 15 June, 2011.

The fourth amendment to this procedure was made on 19 June, 2013.

The fifth amendment to this procedure was made on 28 May, 2015.

The sixth amendment to this procedure was made on 31 May, 2016.

The seventh amendment to this procedure was made on 30 May, 2018.

The eighth amendment to this procedure was made on 29 May, 2019.