

# **Actron Technology Corporation.**

## **Procedures for Loaning of Funds and Making of Endorsements/Guarantees**

### **Chapter I General Principles**

#### **Article 1**

The term "announce and report" as used in these Regulations means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).

"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 which making loans to and endorsements/guarantees for others and monetary amount of the transaction, whichever date is earlier.

#### **Article 2**

The Company shall comply with these Regulations when making loans to and endorsements/guarantees for others; provided that where another act or regulation provides otherwise, the provisions of such act shall prevail.

#### **Article 3**

Under Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

1. An inter-company or inter-firm with which it does business. "Doing business" means companies selling goods to or buying goods from this Company; or
2. Other companies or parties, which need short-term or business financing for purchase of materials or business operation. The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.

#### **Article 4**

The term "endorsements/guarantees" as used in these Regulations refers to the following:

1. Financing endorsements/guarantees, including: Bill discount financing. Endorsement or guarantee made to meet the financing needs of another company. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Regulations.

#### **Article 5**

The Company may make endorsements/guarantees for the following companies:

1. A company with which it does business.
2. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
4. Companies in which the public company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other.

Shareholders making guarantees for their mutually invested company in proportion to their shareholding percentage, and the actual participation in the investee company manager, shall not be subject to the restriction set forth in the above Paragraph, and may provide such endorsements/guarantees.

#### **Article 6**

"Subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Where the company's financial reports are prepared according to the International Financial Reporting Standards, "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 7**

The term "announce and report" as used in these Regulations means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).

"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 which making loans to and endorsements/guarantees for others and monetary amount of the transaction, whichever date is earlier.

## **Chapter II Operation Procedures**

### **Section I Loans of Funds to Others**

#### **Article 8**

The Standard for Lending Assessment

When providing Loan of Funds, the Company should submit concrete description of necessity and reasons, and shall be conducted in compliance with Article 3 and 9 hereof.

#### **Article 9**

The aggregate amount of loans and the maximum amount permitted to a single borrower

1. The aggregate amount of loans provided by the Company shall not exceed 40% of the net worth of the Company as shown in the latest financial report audited. Out of the aforesaid amount, the aggregate amount of loans for business shall not exceed 40% of the net worth of the Company as shown in the latest financial report audited.
2. For a company with which this Company does business with, the amount of the individual loan shall not exceed the total amount of business turnover between both parties in the most recent year. "Amount of business turnover" means the higher

among the amount of purchase and amount of sale between the parties.

3. For a company with short-term needs of financing facility, the amount of individual loan shall not exceed 10% of the net worth of the Company as shown in the latest financial report audited. In addition, the lending amount shall be counted in the limit of endorsement and guarantee provided by the Company to such single entity.
4. The Company may lend funds to a subsidiary, directly or indirectly or hold more than 50% of its outstanding common shares, or the parent company, which are in need of short term financing to meet their business requirements, the amount of individual loan shall not exceed 10% of the net worth of the Company as shown in the latest financial report audited; the aggregate amount of loans shall not exceed 40% of the net worth of the Company as shown in the latest financial report audited.

#### **Article 10**

Funds lending period and calculation method

1. Except the funds lending to a borrowing company having a business relationship with the Company, the funding for non-business shall set the deadline for repayment of the contracts and, approved by the board of directors. The duration of the funding shall not be longer than one year, and can not be extended for a certain period. A loan to the borrower for business can be extended for a certain period, provided the extension of the loan is approved by the board of directors.
2. Interests are calculated based on the Company's cost of funding from financial institutions with 1% mark-up and shall be paid on a monthly basis.

#### **Article 11**

Procedures for Fund Lending and Review and Decision Authorization

1. Review and Decision Authorization  
Lending funds to others by the Company shall be conducted in compliance with Paragraph 2 of Article 11 hereof. After the application is appraised and reviewed by the Company's Financial Department as satisfactory the requirements set forth in laws and ordinances concerned and these Regulations, and after the outcome of appraisal is duly signed within the powers & authorities, and then submitted to the board of directors for resolution.  
The Board shall fully take each individual director's opinions into consideration and record each director's reasons for pros and cons in the minutes when lending to a company/firm.
2. Procedures for Fund Lending
  - (1) Where the Company loans funds to another party, the application is appraised and reviewed by the Company's Financial Department as satisfactory the requirements set forth in laws and ordinances concerned and these Regulations, and after the outcome of appraisal is duly signed within the powers & authorities, and then submitted to the board of directors for resolution.
  - (2) Where a firm applies for a credit line for loan, the applicant shall provide endorsements / guarantees and collateral in the amount equivalent to the applied loan (in the form of channels or real estate). In case of an applicant as a firm where the Company holds over 50% of the voting power either directly or indirectly, that applicant is only required to provide a commercial promissory note in amount equivalent to the applied loan and is not necessarily required to

provide collateral.

(3) The Company shall discreetly review the credit investigation for funds lending to other parties and conduct the risk evaluation to assess the influence on the Company's operating, financial status and shareholders' equity.

(4) For loaning of funds by the Company, the Company shall establish the record book which shall expressly bear the beneficiaries of the loans, amounts, dates when the board of directors approved, dates of loaning, and matters of detailed review in detail.

3. Ensuing control measures for the lent loan amount and overdue debt handling procedure

Decision Authorization, the method of interest calculation, control for fund loaning, shall be duly handled in accordance with these Regulations. When a borrowing company is a likelihood of overdue claims or the occurrence of loss, this Company shall adopt appropriate conservatory measures, receivables on demand, or the necessary measures for legal procedures.

The Company shall evaluate the loan status, make adequate provisions for possible bad debts. Such information should be provided to the Company's external auditors to carry out necessary audits.

## **Article 12**

The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found.

## **Section II Endorsements/Guarantees for Others**

### **Article 13**

Amount and duration of endorsements / guarantees as follow:

1. The total amount of endorsements / guarantees rendered by the Company shall not exceed 40% of the net worth shown on the Company's latest financial statements. The grand total amount of endorsements / guarantees rendered by the Company and its subsidiaries to the outside corporations shall not exceed 40% of the net worth shown on the Company's latest financial statements as well.
2. In case of endorsements / guarantees by the Company to a firm where the Company holds over 50% of the voting power either directly or indirectly, the total amount of individual endorsements / guarantees shall not exceed 10% of the net worth shown through the Company's latest financial statements, except the Company holds over 100% of the voting power either directly or indirectly of the subsidiary.
3. The duration of endorsements / guarantees granted by the Company shall be limited to one year in duration. In case the extension is required, the extension shall be duly handled in accordance with Article 14 hereof.
4. Where the Company grants endorsements / guarantees to a corporation where the Company maintains a business relationship, unless otherwise prescribed in other Regulations, the amount of individual endorsements / guarantees shall be confined to the total amount of business transaction accumulated over the past twelve months and shall not exceed 10% of the net worth shown through the Company's latest term financial statements.

5. The grand total amount of endorsements / guarantees rendered by the Company and its subsidiaries to the outside corporations shall not exceed the net worth shown on the Company's latest financial statements as well.  
If the above aggregate total amount exceeds 50% of the Company's net value in its most recent financial statement audited, the Company shall explain at the shareholders' meeting the necessity and reasonableness there for.

#### **Article 14**

The powers & authorities and procedures to approve endorsements / guarantees

In a case of endorsements / guarantees granted by the Company, after the Company's Financial Department completes the prudent assessment and proves through review process satisfactory to requirements of laws and ordinances concerned and these Register, and the assessment and review results are duly approved based on the specified powers, such results shall be submitted to the board of directors, or the Board of Directors authorize the Chairperson of the Board of Directors to first make decisions, and thereafter submit to the most recent Board of Director meeting for ratification.

Where a director express an opinion about endorsements / guarantees, such opinion shall be taken into account. The opinion of agreement or objection and the reason of objection shall be entered into the minutes of the board of directors meeting

Before the Company grants endorsements / guarantees to a subsidiary where the Company holds over 90% of the voting power either directly or indirectly, the issue shall be posed to and resolved by the board of directors meeting, shall be conducted in compliance with Paragraph 1of Article 5 hereof, except the Company holds over 100% of the voting power either directly or indirectly of the subsidiary.

#### **Article 15**

The endorsements / guarantees procedures

1. Where the Company grants endorsements / guarantees, a endorsements / guarantees beneficiary satisfactory to the requirements set forth in these Regulations shall fill out the "Application for Endorsements / Guarantees", file application to the Company's Financial Department. The Financial Department shall duly assess and record the applicant's financial standing, the impact upon the shareholders' equity and may, as necessary, obtain collateral and assess the value of the collateral. After the Company's Financial Department's endorsement of the assessment and after the Legal Department proves through review process to satisfy the requirements of laws and ordinances concerned and these Regulations, the application along with the result of assessment shall be submitted to the Audit Committee for agreement and then be submitted to the board of directors for approval. The Financial Department shall check and record item by item the approved application for endorsements / guarantees, items of endorsements/guarantees, name(s) of the endorsements / guarantees beneficiary(ies), results and amounts of risk assessment, date(s) of endorsements / guarantees, contents of collateral obtained, terms and dates to release the endorsements / guarantees responsibilities, date of approval by the board of directors, into the "Book of Endorsements / Guarantees Record Book". The same process shall be required in case of a change. Upon implementation of endorsements/guarantees or release of endorsements/guarantees upon expiry, the Financial Department shall duly record the account vouchers concerned.

2. The Company takes the registered specimen seals (chops) of the Company and the responsible person duly registered with the Ministry of Economic Affairs as the special registered specimen seals for endorsements / guarantees which shall be put into custody by the special personnel agreed upon by the board of directors. Such seals shall not be used or affixed to issue notes unless in accordance with these Regulations or other requirements concerned. In case of a change in the registered specimen seal custodian, a report shall be submitted to the board of directors for agreement beforehand.
3. The letters of guarantee issued by the Company for guarantee acts to the domestic companies or foreign companies shall be duly signed by the personnel duly authorized by the board of directors.
4. Where the Company grants endorsements / guarantees outward, the endorsements / guarantees beneficiary shall provide a commercial promissory note and provide adequate value of the collateral (in the form of chattels, real estate or securities) to collateralize the endorsements / guarantees. Where the Company renders endorsements / guarantees to a company where the Company holds over 50% of the voting power either directly or indirectly, that beneficiary company should provide a commercial promissory note and collateral is not required.  
The Company shall assess or recognize the possible loss from an endorsement guarantee. Such information should be provided to the Company's external auditors to carry out necessary audits.
5. Where this Company makes endorsements/guarantees, it shall prepare a memorandum book, and record in detail the relevant items to be recorded under the relevant acts such as the entity for which the endorsement/ guarantee is made, the date of passage by the Board of Directors or Chairperson of Board of Directors, the date the endorsement/guarantee is made, and the matters to be carefully evaluated in accordance with paragraph 1 of Article 15 hereof.

## **Article 16**

### Lifting of Endorsements

1. Should the Company be relieved from its guarantee responsibility due to full repayment of the liability involved or renewal of the relevant documents or financial instruments, the guaranteed the Company shall return the original documents and instruments to the Company's Financial Department, which shall affix the cancellation seal onto or make void of such documents and instruments and then return them to the guaranteed company. The official letter from the guaranteed company regarding this matter should be retained for future reference.
2. When such endorsement lifting cases happen, the Financial Department shall record them in the Endorsements / Guarantees and Lifting Register and process the write-offs in order to reduce the amount of accumulated endorsement balance.

## **Article 17**

Where as a result of changes of condition the entity for which an endorsement/ guarantee is made no longer meets the requirements of Article 3 of this Procedure, or the amount of endorsement/guarantee or the balance of loans exceeds the limit, the Company shall adopt rectification plans, which approval of the board of directors, and submit the rectification plans to the audit committee, and accomplish the plan on

schedule.

The Company needs to exceed the limits set out in the Operational Procedures for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements/Guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the company shall adopt a plan to discharge the amount in excess within a given time limit.

When it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

#### **Article 18**

The Company 's internal auditors shall audit the Operational Procedures for Endorsements/Guarantees for Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found.

### **Chapter III Information Disclosure**

#### **Article 19**

The Company shall announce and report the previous month's balance of loan and endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.

#### **Article 20**

The Company shall, in addition to conducting such matters in compliance with the provisions of the preceding paragraph, or unless otherwise provided by the laws and regulations, meet any of the following criteria, the Company shall disclose and report the relevant information within two days commencing immediately from the occurrence of the event.

##### **1. Loan balances**

- (1) The aggregate balance of loans to others by the public company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
- (2) The balance of loans by the public company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.
- (3) The amount of new loans of funds by the public company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement.

##### **2. Endorsement / Guarantee Amount**

- (1) The aggregate balance of endorsements/guarantees by the public company and its subsidiaries reaches 50 percent or more of the public company's net worth as stated in its latest financial statement.

- (2) The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
  - (3) The balance of endorsements/guarantees by the public company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, book value for using the equity method, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.
  - (4) The amount of new endorsements/guarantees made by the public company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the public company's net worth as stated in its latest financial statement.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to any subparagraph of the preceding paragraph. The percentage of loan balance over a company's net worth for a subsidiary under the preceding paragraph shall be calculated by the ratio of the subsidiary's loan balance to The Company's net worth.
  4. Where this Company is required to be reported to the competent authority or announced, this Company shall handle in accordance with the relevant regulations.

## **Chapter IV Supplementary Regulations**

### **Article 21**

#### Other matters

1. The subsidiary in which the Company holds more than 50% of its total outstanding common shares either directly or indirectly, which are in need of loans and endorsements/guarantees to meet their business requirements in accordance with these Regulations, any loan funds and endorsement / guarantee provided pursuant to Paragraph 1 of Article 3 and Article 5 hereof, shall be subject to the subsidiary in order to determine, which first be submitted for a resolution by the board of directors of this Corporation, the amount of individual loan and endorsement / guarantee shall not exceed 10% of the net worth of the subsidiary as shown in the latest financial report audited; the aggregate amount of loans and endorsements / guarantees shall not exceed 20% of the net worth of the subsidiary as shown in the latest financial report audited. The subsidiary intends to effect loan and endorsement/guarantee due to business need, the amount of individual loan and endorsement/guarantee shall not exceed 10% of the net worth of the Company as shown in the latest financial report audited; the aggregate amount of loans and endorsements/guarantees shall not exceed 40% of the net worth of the Company as shown in the latest financial report audited.
2. A foreign company as specified under Article 165-1 of the Securities and Exchange Act ("foreign company") shall comply mutatis mutandis with these Regulations when making loans to, and endorsements or guarantees for, others.
3. The processing staff shall compile and submit the list for loaning funds and the details of endorsement/guarantee of the Company and the subsidiaries, which made in the previous month to the persons with due authority for review by the tenth day of the current month.
4. Where the managers and staffs violate these Rules is subject to disciplinary according

to the Company's Employment Services Code.

5. When the subsidiaries of the Company intend to lend funds to other parties, or provide endorsements/guarantees to other companies, the Company shall require its subsidiaries to promulgate the Procedures of Loans of Funds to Others when the subsidiaries intend to loaning funds to other companies or parties, and establish relevant procedures for providing endorsement/guarantee to other companies, and to comply with such procedures.

#### **Article 22**

The procedures shall be approved by more than one-half of all members of the Audit Committee, and shall be submitted to the shareholders' meeting for approval after the resolution of the board of directors, and the same shall apply to the amendment. If any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the audit committee.

when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. 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.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms "all audit committee members" in paragraph 3 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

#### **Article 23**

These Regulations were duly enacted on June 2, 2015.

The 1st amendment was made on May 29, 2019.