

EPISIL TECHNOLOGIES INC  
Procedures for Lending Funds to Other Parties

Article 1 Recipients of Loans

1. Other companies have business with the Company.
2. Other companies in need of short-term financing with the Company

The so-called "short-term" means the period of one year or one operating cycle (whichever is the longest).

The so-called "financing amount" refers to the cumulative balance of the company's short-term financing funds.

The company engages in capital lending between foreign companies that directly and indirectly hold 100% of the voting shares, or directly and indirectly holds 100% of the voting shares between foreign companies that engage in capital lending, not subject to the restrictions of the first paragraph and the second paragraph . However, the limit and time limit for capital lending should still be determined in accordance with the provisions of Articles 3 and 5

When the person in charge of the company violates the provisions of the first paragraph and the proviso of the preceding paragraph, he shall be jointly and severally liable for the return with the borrower; if the company suffers any damage, he shall also be liable for the damage.

Article 2 The necessity and reasonableness to make a loan to other parties. :

The loan of funds between the company and other companies or firms due to business relationship shall comply with the provisions of Article 3, Paragraph 2; the loan of funds due to the need for short-term financing shall be limited to the following circumstances:

1. The company in which the Company holds more than 50% of the shares has the need for short-term financing due to business needs.
2. Other companies or firms have the need for short-term financing due to purchase of materials or operating turnover needs.
3. Other fund lenders approved by the board of directors of the company.

Article 3 Total amount of loans and the maximum amount of loans for individual recipients

1. The total amount of the loans to other companies may not exceed 40 percent of net worth. However, the total amount of funds lent to others due to the need for short-term financing between companies or between firms shall not exceed 40% of the company's net worth.
2. The amount of loans shall not exceed the transactions between The Company and those companies having business with The Company. The amount of transaction is referred to as "the sales revenue or the amount spent on purchases of goods, whichever is higher"
3. For companies or firms that need short-term financing, the individual loan amount shall not exceed 10% of the company's net worth.

#### Article 4 Procedures for making loans:

##### 1. Credit Investigation

When The Company makes a decision to give a loan, the borrower shall first submit the necessary company information and financial information, and apply to the Company for a financing line in writing.

After the company accepts the application, the relevant authority and responsible unit shall investigate and evaluate the business, financial status, solvency and credit, profitability and purpose of the loan of the loan recipient, and prepare a report. Relevant authorities and responsible units conduct detailed investigations and assessments of the loan recipients,

The assessments shall at least include the following::

- (1) The necessity and reasonableness to make a loan to other parties. °
- (2) Whether the loan amount is necessary or not shall be judged by the financial situation of the recipient of the loan.
- (3) Whether the accumulated fund loan amount is still within the limit.
- (4) Impact on The Company's operation, financial condition, and shareholders' right.
- (5) Whether collaterals shall be obtained and its value be appraised for security.
- (6) Borrower's credit status and risk assessment.

##### 2. Debt Preservation:

When The Company makes a loan, it shall obtain a guaranteed promissory note of the same amount, and if necessary, set up a mortgage on movable or immovable property. As for the guarantee of the creditor's rights mentioned in the preceding paragraph, if the debtor provides an individual or company with considerable capital and credit as a guarantee instead of providing the collateral, the board of directors may refer to the credit investigation report of the Finance Department; When the other companies themselves are the guarantors, The Company shall pay attention if the guarantee clause for the loan is included in the Memorandum of Association of the guarantors

##### 3. Ranges of Authorization

When The Company makes a loan, after the credit investigation by the relevant responsible units of the company, it is submitted to the general manager for approval and submitted to the board of directors for approval, and no other person shall be authorized to make a decision. The opinions of independent directors shall be fully considered. If independent directors have opposing opinions or reserved opinions, they shall be stated in the minutes of the board meeting.

#### Article 5 Durations of loans and calculation of interests.

1. In principle, the term of each fund loan shall not exceed 180 days. In case of special circumstances, the loan term may be extended according to the actual situation after approval of the board of directors.
2. The interest for the loan shall not be lower than the highest interest rate that The Company borrows money from financial institutions. The interest for the loan is calculated on a

monthly basis. In case of special circumstances, it may be adjusted according to the actual situation with the approval of the board of directors.

#### Article 6 Follow-up Controlling Measure and Procedure for Collecting Loans past due.

1. After the loan is allocated, the financial department shall keep monitoring the borrower's and the guarantor's financial status, business, and credit. If collaterals are provided, collateral's value shall be monitored closely. The financial department shall report Chairman of the board when the status of the collaterals changes and take appropriate actions per direction of Chairman of the board.
2. Before the loan is due or immediately before the loan is due, the financial department shall calculate interest accrued by the loan. After the loan and interest are paid off, The Company will return promissory note and collaterals to the borrower.
3. The borrower shall pay off the loan and interest together before the due day. If there is a need for the borrower to extend the loan duration, the application shall be made in advance and get approved by the board of director's board. Each deferred repayment shall not exceed three months, and shall be limited to one time. Violators may be punished and recovered by the company in accordance with the law for the collateral or guarantor provided.

#### Article 7 Internal control

1. When The Company makes a loan, a memorandum book is required to prepare so that the recipient of the loan, the amount of the loan, the approval date by the board of directors, lending/borrowing date, and miscellaneous matters to be carefully evaluated and put them on the file for future audit.
2. 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 all the supervisors in writing of any material violation found. Shall there be any violation of laws or this regulation, discipline will be made depending on the degree of violation.
3. If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, The Company shall adopt rectification plans and submit the rectification plans to all the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

#### Article 8 Disclosure of financial statements, and announcement and report:

1. The Company shall announce the amount of funds lent to other parties by the Company and its subsidiaries in the preceding month, as well as the monthly turnover, before the 10th day of the month.
2. If the balance of the fund lent by The Company meets any of the following circumstances, it shall be announced and reported within two days commencing immediately from the date of occurrence of the fact:
  - (1) The balance of funds lent to other parties by the Company and its subsidiaries exceed

- more than 20% of the net worth of the Company specified in its latest financial statement.
- (2)The balance of funds lent to any single enterprise by the Company and its subsidiaries exceed more than 10% of the net worth of the Company specified in its latest financial statement.
- (3)The increase of funds lent by the Company or its subsidiaries reaches NT\$10 million or more, and is more than 2% of the net worth of the Company specified in its latest financial statement.

If the subsidiary company of the company is not a domestic public offering company, the company shall do so if the subsidiary company has matters that should be announced and reported in Subparagraph 3 of the preceding paragraph.

#### Article 9 Miscellaneous :

1. When a subsidiary of the company intends to lend funds to others, the company shall order the subsidiary to formulate operating procedures for lending funds to others in accordance with regulations, and shall handle the operation in accordance with the established operating procedures.
2. The company shall assess the situation of capital loans and provide adequate allowance for bad debts, and appropriately disclose relevant information in financial reports, and provide relevant information for accountants to perform necessary verification procedures and issue proper verification reports.
3. Matters not covered in this operating procedure shall be handled in accordance with relevant laws and regulations and the relevant regulations of the company.

#### Article 10 The effectiveness, revision of this regulation :

This procedure shall become effective upon approval by Audit Committee and the Board of Directors and be reported to the shareholders meeting. If a director expresses an objection and there is a record or a written statement, the company shall submit the objection to the shareholders' meeting for discussion. Any amendment is subject to the same procedure.

When submitting the operating procedures of capital loans to others to the board of directors for discussion in accordance with the provisions of the preceding paragraph, the opinions of independent directors shall be fully considered. If independent directors have objections or reservations, they shall be stated in the minutes of the board meeting.

If the company has established an audit committee, the formulation or revision of the operating procedures for lending funds to others shall be approved by more than half of all members of the audit committee and submitted to the board of directors for resolution, and the provisions of the second paragraph shall not apply.

If the preceding paragraph is not approved by more than half of all members of the audit committee, it may be implemented with the consent of more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board meeting.

The members of audit committee and members of board of directors refer to the current

incumbent members.

Article 11 These measures were enacted on June 6, 2014.

First revised on June 22, 2017.

The second revision was on June 11, 2020.