

# **Tainergy Tech. Co., Ltd.**

## **Regulations Governing Loaning**

### **Article 1: Purpose**

In order to meet the practical needs of the business and within the principles that do not violate Article 15 of the Company Law, this operational procedure is hereby established. Regarding financial loans to others, the Company shall comply with the provisions of this operational procedure unless otherwise specified by relevant financial laws and regulations.

### **Article 2: Legal Basis**

This operational procedure is based on the regulations set forth by the Financial Supervisory Commission (hereinafter referred to as "FSC") in the "Guidelines for Public Issuing Companies on Fund Loans and Endorsement Guarantees."

### **Article 3: Objects of Fund Loans**

The Company's fund loans shall be limited to the following objects:

1. Companies or businesses with business transactions with the Company.
2. Companies or businesses deemed necessary for short-term funding by the Board of Directors. The financing amount shall not exceed 40% of the Company's net worth.

The term "short-term" refers to a period of one year or one operating cycle (whichever is longer).

The financing amount referred to in the first paragraph, second subparagraph, denotes the cumulative balance of the Company's short-term funding.

For foreign companies in which the Company directly or indirectly holds 100% voting shares, engaging in fund loans, or foreign companies directly or indirectly holding 100% voting shares in the Company and engaging in fund loans, they are not subject to the restrictions of the first paragraph, second subparagraph.

The term of such loans shall be limited to three years, and the amount shall not exceed the net worth of the lending company. In the event of a violation of the provisions of the first paragraph by the responsible person of the Company, they shall be jointly and severally liable for the return of funds with the borrower. If the Company suffers any damages, the responsible person shall also be liable for compensation for the damages.

### **Article 4: Evaluation Criteria for Fund Loans to Others**

1. For fund loans between the Company and other companies or businesses due to business transactions, the provisions of Article 5, Paragraph 1, Subparagraph 2 shall apply.

2. For fund loans between the Company and other companies or businesses, which are deemed necessary for short-term funding by the Board of Directors, the following situations apply:
  - (a) When there is a parent-subsidary relationship between the Company and the other entity, and short-term funding is necessary for business needs.
  - (b) When the Company has equity investments in the other company or business, and short-term funding is necessary for procurement or operational turnover. The terms "subsidiary" and "parent company" shall be determined in accordance with the regulations of the financial report preparation standards for securities issuers.

Article 5: Total and Individual Limits on Fund Loans

1. The total amount of fund loans by the Company to others shall not exceed 50% of the Company's net worth; however, if it is necessary for short-term funding as determined by the Board of Directors, the cumulative amount of fund loans to others shall not exceed 40% of the Company's net worth.
2. The individual limit on fund loans by the Company to a specific company or business with which the Company has business transactions shall not exceed either 100% of the total business transaction amount between the borrowing company or business and the Company in the most recent fiscal year, or 120% of the total business transaction amount in the most recent three months, whichever is higher. The total amount of all fund loans due to business transactions shall not exceed 25% of the Company's net worth. In cases where short-term funding is deemed necessary by the Board of Directors, the individual limit shall not exceed 20% of the Company's net worth.

The term "net worth" refers to the equity attributed to the owners of the parent company in the most recent audited or reviewed balance sheet by the accountant.

Article 6: Fund Loan Term

The term of fund loans by the Company to other companies or businesses with which the Company has business transactions shall generally be two years or less. In special circumstances, with the approval of the Board of Directors, the financing period may be extended based on actual needs. For companies or businesses deemed necessary for short-term funding by the Board of Directors, the fund loan term shall not exceed one year or one operating cycle (whichever is longer).

Article 7: Interest Calculation Method

The interest rate for fund loans by the Company shall not be lower than the average interest rate of the Company's short-term borrowings from financial institutions. The calculation and collection of loan interest shall generally be on a monthly basis. In

exceptional cases, with the approval of the Board of Directors, adjustments may be made based on actual needs.

Article 8: Decision-making Hierarchy

When the Company intends to provide fund loans to others, such decisions must be made by the Board of Directors and shall not be delegated to others.

Fund loans between the Company and its parent company or subsidiary, or between subsidiaries, shall also be subject to Board of Directors' approval in accordance with the preceding paragraph. The Chairman may be authorized to allocate loans or use funds in installments or on a revolving basis to the same loan recipient within a certain limit and for a period not exceeding one year, as approved by the Board of Directors.

The term "certain limit" referred to in the preceding paragraph, in addition to meeting the condition that the financing amount shall not exceed 40% of the lending company's net worth for fund loans between foreign companies in which the Company directly or indirectly holds 100% voting shares, the authorized limit for fund loans to a single enterprise by the Company or its subsidiaries shall not exceed 10% of the respective company's most recent financial statement net worth.

In cases where the Company has independent directors, their decisions to provide fund loans to others should fully consider the opinions of each independent director. If any independent director opposes or reserves their opinion, it shall be recorded in the minutes of the Board of Directors' meeting.

Article 9: Procedures for Fund Loans and Review

1. Executing Unit

The handling of fund loans to others by the Company shall be the responsibility of the Finance Department. When necessary, the General Manager may designate other dedicated personnel to assist in the process.

2. Review Procedure and Loan Approval

(a) Credit Investigation

For all companies or businesses applying for fund loans, a comprehensive credit investigation shall be conducted. The principles are as follows:

- (1) For first-time borrowers, the borrower shall provide photocopies of relevant company licenses, identification documents of responsible individuals, and necessary financial information to conduct the credit investigation.
- (2) For repeat borrowers, a credit investigation shall generally be carried out once a year. In significant cases, periodic credit investigations shall be conducted based on actual needs.
- (3) If the borrower has good financial and credit conditions and has already

undergone an audit by an accountant for the annual financial statements, the investigation report exceeding one year but not yet two years old may be used along with the financial statement report certified by the accountant for loan approval.

(b) Evaluation and Assessment

For fund loans within the limits specified in Article 5, the borrower shall fill out an application form, and the responsible unit shall create a detailed evaluation and assessment report. The report should include the following items:

1. The necessity and reasonableness of the fund loan to others.
2. Credit and risk assessment of the loan recipient.
3. Impact on the Company's operational risks, financial condition, and shareholder equity.
4. Whether collateral should be obtained and the evaluation value of the collateral.

(c) Loan Approval

1. After the evaluation and assessment, if the borrower's credit rating is poor or there are other reasons deemed unsuitable for granting the loan, the handling personnel shall submit the reasons for non-approval for approval and promptly notify the borrower.
2. After the evaluation and assessment, for cases with good credit ratings, legitimate loan purposes, and no adverse effects on the Company's financial operations and shareholder equity, the handling personnel shall submit the credit investigation and assessment report, along with the proposed loan amount, term, interest rate, etc., for approval by the General Manager and Chairman. Only after obtaining approval from the Board of Directors in accordance with Article 8 may the loan be processed.

3. Notification to Borrowers

After the loan case is approved, the handling personnel shall promptly notify the borrower by letter or phone, providing details of the loan conditions, including amount, term, interest rate, collateral, and guarantor, and request the borrower to sign the contract within the specified period and complete the procedures for collateral (pledge) setting and guarantee by the guarantor. Afterward, the disbursement can be made.

4. Contract Signing and Collateral

- (a) The terms of the loan case shall be drafted by the handling personnel, reviewed by supervisors, and then submitted to the legal consultant for review before signing the contract.
- (b) The content of the contract shall be consistent with the approved loan

conditions. After the borrower and the joint guarantor sign the contract, the handling personnel shall complete the collateral procedures.

#### 5. Collateral

- (a) If deemed necessary by the Board of Directors, for fund loans to others, the borrower shall be required to provide collateral of an appropriate amount, and procedures for mortgage or pledge setting shall be carried out to ensure the Company's creditor's rights. If the borrower provides a person or company with sufficient financial capacity and credit as a guarantee instead of collateral, the Board of Directors may consider the opinion of the Finance Department and proceed accordingly. If a company provides a guarantee, the guarantee company should have provisions for providing guarantees in its articles of incorporation and submit the minutes of the shareholders' meeting or the board of directors' resolution on the relevant matters.
- (b) For collateral other than land and valuable securities, insurance against fire shall be obtained, and ships and vehicles shall be fully insured. The insurance amount shall not be lower than the pledged value of the collateral. The insurance policy shall designate the Company as the beneficiary. The contents of the policy, including the insured items' names, quantity, storage location, insurance conditions, and insurance endorsements, shall be consistent with the approved loan conditions of the Company. If the building has not been assigned a house number at the time of the pledge, the address should be indicated based on the location and lot number.
- (c) The handling personnel shall ensure that the borrower is notified to continue the insurance coverage before the insurance period expires.

#### 6. Disbursement

After the fund loan case is approved and processed according to the procedures of this operational procedure, the Finance Department shall conduct verification to ensure accuracy before disbursing the loan.

#### Article 10: Public Announcement and Reporting Procedure

- 1. Before the 10th day of each month, the Company shall provide the parent company with a report on the fund loan balances of the Company and its subsidiaries for the previous month.
- 2. The Company and its subsidiaries shall promptly report to the parent company within two days from the occurrence of the following situations:
  - (a) The fund loan balance of the Company and its subsidiaries to others reaches 20% or more of the parent company's most recent financial statement net worth.
  - (b) The fund loan balance of the Company and its subsidiaries to a single enterprise reaches 10% or more of the parent company's most recent financial

statement net worth.

- (c) The newly added fund loan amount of the Company or its subsidiaries reaches NT\$10 million or more and is 2% or more of the parent company's most recent financial statement net worth.

The term "occurrence" refers to the earlier date among transaction signing date, payment date, Board of Directors resolution date, or any other date that sufficiently determines the trading parties and transaction amount.

- 3. If the Company or its subsidiaries are not domestic publicly listed companies, the parent company shall handle the public announcement and reporting matters stipulated in the provisions of the first paragraph, second subparagraph of this Article.

#### Article 11: Follow-up Control Measures and Overdue Debt Handling Procedure

- 1. After the loan disbursement, the Company shall regularly monitor the financial, business, and credit conditions of the borrowers and guarantors. If collateral is provided, the value of the collateral should also be monitored for any significant changes. In case of significant changes, the Chairman should be immediately notified, and appropriate actions should be taken as per the instructions.
- 2. When the borrower repays the loan upon or before the maturity date, the payable interest shall be calculated first, and the principal and interest should be repaid together before canceling the promissory notes or returning the collateral.
- 3. Upon the loan's maturity date, the borrower shall promptly repay the principal and interest. If repayment cannot be made and an extension is required, a request for extension must be submitted in advance and approved by the Board of Directors. Each extension shall not exceed six months and should be limited to one time. Otherwise, the Company may dispose of the provided collateral or guarantee, as the case may be, in accordance with the law and seek recourse.

#### Article 12: Establishment of Records Book

For fund loan matters, the Company shall establish a records book, detailing the loan recipients, amounts, date of approval by the Board of Directors, date of fund disbursement, and other items that require careful evaluation as stipulated, for thorough reference.

#### Article 13: Internal Audit

The Company's internal auditors shall conduct audits of the fund loan to others

operation and its execution at least quarterly and document the findings. In case of discovering significant violations, the Audit Committee should be immediately notified in writing.

Article 14: Control Procedure for Fund Loans by Subsidiaries

1. When a subsidiary of the Company plans to lend funds to others, the Company shall ensure that the subsidiary establishes a fund loan procedure in accordance with the "Regulations Governing Fund Loans and Endorsement Guarantees of Public Issuing Companies" issued by the Financial Supervisory Commission (FSC). The procedure shall be approved by the subsidiary's Board of Directors and submitted to the shareholders' meeting for approval. Any revisions to the procedure shall also follow the same approval process.
2. When a subsidiary of the Company plans to lend funds to others, it must obtain the Company's approval before proceeding. The designated personnel appointed by the Company's Finance Department and General Manager shall evaluate the necessity, reasonability, risk, and impact on the operation, financial condition, and shareholders' equity of the Company and its subsidiaries regarding the fund loan. The evaluation report shall be submitted to the General Manager and Chairman for approval.
3. The Finance Department should obtain a detailed statement of the fund loans to others from each subsidiary at the beginning of each month.
4. The Finance Department of the Company shall regularly assess the appropriateness of the follow-up control measures and overdue debt handling procedures by each subsidiary for their lent funds.
5. The Company's internal auditors shall periodically audit the subsidiaries' adherence to the "Fund Loan to Others Procedure," prepare audit reports, and notify the subsidiaries of the findings and suggestions for improvement. Follow-up reports shall be prepared regularly to ensure that appropriate improvement measures have been taken in a timely manner.

Article 15: Penalties

If the Company's executives and responsible personnel violate the "Regulations Governing Fund Loans and Endorsement Guarantees of Public Issuing Companies" issued by the FSC or the Company's "Fund Loan to Others Procedure," they shall be subject to periodic assessment in accordance with the Company's personnel management regulations and work rules, and shall be punished according to the severity of the violation.

Article 16: Other Matters

1. The Company's Board of Directors shall investigate and assess the funds already

lent to others before the implementation of this procedure and report to the Board of Directors for approval. If the funds lent exceed the approved loan limit, the Finance Department shall notify the borrower to repay the excess amount within six months from the implementation date of this procedure.

2. In the event of changes that cause the loan recipients to no longer comply with this procedure or exceed the limit, the Company shall formulate an improvement plan and submit it to the Audit Committee for review. The improvement plan shall be completed according to the scheduled timeline.
3. The Company shall evaluate the fund loan situation and set aside sufficient provisions for bad debts. Appropriate disclosures of relevant information shall be made in the financial reports, and necessary information shall be provided to the external auditors for their audit procedures.

Article 17:   Supplementary Provisions on Relevant Laws and Regulations  
For matters not covered in this procedure, relevant laws and regulations shall apply.

Article 18:   Implementation  
This procedure has been approved by the Audit Committee and the Board of Directors and shall be implemented after obtaining the approval of the shareholders' meeting. If any director objects and records such objection or makes a written statement, the Company shall submit the objection for discussion at the shareholders' meeting. The same process applies to any revisions made to this procedure.

Article 19:   Effective Date  
This procedure was established on June 19th, 2008.

1st amendment: June 10th, 2009.

2nd amendment: April 28th, 2010.

3rd amendment: June 9th, 2011.

4th amendment: June 28th, 2012.

5th amendment: June 28th, 2013.

6th amendment: June 6th, 2016.

7th amendment: June 21st, 2019.