

**Ton Yi Industrial Corp.**  
**Operational Procedures For Loaning Funds**

Amended on Jun 20, 2019

Article 1: All funds loaned by the Company shall be processed according to the Operational Procedures.

Article 2: Any loans given to others by the Company shall fulfill any one of the following conditions:

- (1) Where an inter-company or inter-firm business transaction calls for such lending arrangement; or
- (2) Where inter-firm short-term financing facility is necessary.

Short term refers to a period of one year or one business lifecycle (the longer of which shall apply).

Article 3: Evaluation standards for loaning funds to others:

- (1) Where the Company loans funds for reasons of business dealings, it shall be based on the principle that the business dealing has taken place and the loan amount shall be equivalent to the amount required for procurement of goods or sales of goods during the latest year or during the current year up to the time of the loan, whichever is higher.
- (2) Loaning funds for a required short-term financing facility shall be limited to one of the following circumstances:
  1. Any investee of the Company as defined based on the equity method has requirements due to repayment of bank loans, purchase of equipment or working capital.
  2. Any company of which the Company directly or indirectly holds more than 50% shares has requirements due to repayment of bank loans, purchase of equipment or working capital.
  3. Any company of which the Company directly or indirectly holds more than 50% shares has requirements due to reinvestment, and the business of such reinvestee is relevant to the businesses operated by the

Company, as well as helpful to the future business development of the Company.

Article 4: Limits on the aggregate amount of loans and maximum amount permitted to a single borrower

- (1) The total amount being loaned to others shall not exceed 40% of the net worth of the Company as shown in the latest financial statement audited and certified, or reviewed by a certified public accountant.
- (2) Limit on maximum amount permitted to an individual borrower:
  1. Where there are business dealings with the Company, the loan amount given to each single borrower shall not exceed the amount required for procurement of goods or sales of goods during the latest year or during the current year up to the time of the loan, whichever is higher.
  2. Where loaning funds for short-term financing facility is required, the loan amount made to each single borrower shall not exceed 20% of the net worth of the Company as shown in the latest financial statement audited and certified, or reviewed by a certified public accountant.

Article 5: Duration of Loans and Calculation of Interest

- (1) The duration of any loan made by this Company shall be limited to one year.
- (2) Interest shall in principle accrued on a monthly basis at a rate not lower than the average interest rate for the Company' s borrowings from financial institutions unless otherwise resolved by the board of directors.

Article 6: Procedures for loaning funds

- (1) In processing matters for loaning funds, upon review by the department in charge and determined the amount of the loan, after approval by the Chairman, the loan may be granted subject to the consent of one-half or more of all audit committee members and the resolution of the board of directors.
- (2) When funds are loaned between the Company and its parent company or

the Company and its subsidiary, apart from compliance with the procedure in the preceding paragraph, the Chairman may be authorized to proceed with multiple releases of funds or revolving drawdowns with regard to the same borrower within a certain amount authorized by resolution of the Board of Directors and within a one year period. The certain amount mentioned above is subject to the restriction that the authorized amount extended by the Company or its subsidiaries to any single entity shall not exceed 10% of the net worth on the latest financial statements of the Company.

- (3) The Finance Department shall prepare a memorandum book for its fund-loaning activities. After a loan of funds is approved based on the above paragraph 1, the borrower, the amount, date of approval by the Board of Directors, lending/borrowing date, and matters to be carefully evaluated based on the review procedures shall be recorded for future reference.
- (4) The internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof on a quarterly basis and prepare written records accordingly. They shall notify the Audit Committee in writing of any material violation found.
- (5) The Finance Department shall, on a monthly basis, prepare a detailed statement recording the occurrence and cancellation of any matter regarding the loaning of funds, so as to control, follow-up and prepare public announcements. The Finance Department shall evaluate and reserve sufficient allowance for bad debts on a quarterly basis, and shall disclose information regarding its loans of funds in its financial reports and provide a certified public accountant with relevant information.
- (6) If, as a result of a change in circumstances, a borrower does not meet the requirements of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies or the loan

balance exceeds the limit, the Finance Department shall adopt a rectification plan and submit the same to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

#### Article 7: Review Procedures

- (1) For the loans given by the Company, the company or enterprise applying for the loan shall file a written application and attach relevant financial information and statements detailing the purpose of the borrowing.
- (2) Once the Company accepts the application, the department of finance shall prepare a related written report to be submitted to the Board of Directors for review and approval after it investigates and evaluates the necessity and reasonableness of the funds loaned to others, whether the borrower has any direct or indirect business relationship with the Company, the financial status of the business operated, the ability to repay the debt, credibility, profitability, and the purpose of the funds, and consider the impact of the total amount of the loan given by the Company on the Company' s operational risk, financial status and shareholders equity.
- (3) Shall collaterals be necessary, the value of the collateral shall be evaluated.

#### Article 8: Announcement and reporting procedures

The Company shall announce and report items related to loaning funds to others in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies by the Financial Supervisory Commission, R.O.C..

#### Article 9: Subsequent measures for control and management of loans, and procedures for handling delinquent creditor' s rights

- (1) Periodically analyze the loan repayment capacity of the borrower.
- (2) Assess the state of loans and set aside appropriate allowance for bad debts.

- (3) Periodically track the status and reason for defaults and request the legal department to resolve the issues.

Article 10: Penalty

Any initial violation of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” promulgated by the Financial Supervisory Commission or “Operational Procedures For Loaning Funds To Others” enacted by the Company” by managers and persons in charge shall be subject to a verbal warning. Any second violation shall be subject to a written warning. Repeated or significant violation shall be subject to dismissal.

Article 11: Procedures for controlling and managing loans of funds to others by subsidiaries

- (1) In the event that a subsidiary of the Company intends to loan funds to others for the need of operation, the “Operational Procedures For Loaning Funds To Others” shall be established, and be submitted to the Shareholders’ Meeting for approval after adoption by the Board of Directors of said subsidiary. The same shall apply for any amendments made.

The restriction Article 4 shall not apply to inter-company loans of funds between overseas companies in which this company holds, directly or indirectly, 100% of the voting shares or inter-company loans of funds from overseas company in which this company holds, directly or indirectly, 100% of the voting shares to this company. However, the aggregate amount of loans and the maximum amount prescribed separately for each single borrower and the durations of loans shall be specified.

- (2) Where the subsidiary loans funds to others, it shall process such loaning based on “Internal Control System” and “Operational Procedures For Loaning Funds To Others” established by itself, and shall report to the Company in writing the details of the loan balance, borrowers, and duration of the loans, in accordance with the items

that shall be announced and reported under the provisions of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, in order to facilitate the successful announcement and reporting within the specified period.

Article 12: Any matter not provided for under this Procedure shall be subject to “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” promulgated by Financial Supervisory Commission.

Article 13: Formulation and Amendments

Formulation or amendments of its Operational Procedures for Loaning Funds to Others shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution. Where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to the shareholders' meeting for discussion.

Any matter under the preceding paragraph that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.

"All audit committee members" as used in this provision and "all directors" as used in preceding paragraph, shall mean the actual number of persons currently holding those positions.