

# Eris Technology Corporation

## Procedures Governing Loaning of Funds

### Chapter 1 General Provisions

**Article 1** All procedures for the Company's loaning of funds to others shall be handled in accordance with these Procedures.

**Article 2** The Company's funds shall not be loaned to shareholders or any other party, except under the following circumstances:

1. Companies with which the Company has business dealings and in which the Company directly and indirectly holds voting shares exceeding 50%.
2. Companies with which the Company directly and indirectly holds voting shares exceeding 50% and that have a need for short-term financing. The loan amount shall not exceed 40% of the net worth of the borrower company.

"Short-term" as referred to in the preceding paragraph means one year. However, if the Company's operating cycle is longer than one year, the operating cycle shall prevail. "Loan amount" as referred to in Subparagraph 2 means the cumulative balance of the Company's short-term financing.

Loaning of funds between foreign companies in which the Company directly and indirectly holds 100% of the voting shares shall not be subject to the restrictions of Subparagraph 2.

If, due to changes in circumstances, the loan recipient does not comply with relevant regulations or the balance exceeds the limit, the Company shall formulate an improvement plan, submit the relevant improvement plan to the Audit Committee, and complete the improvements according to the plan schedule.

**Article 3** "Subsidiary" and "parent company" as referred to in these Procedures shall be determined in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

### Chapter 2 Operating Procedures

**Article 4** The Company's evaluation standards for loaning funds to others are as follows:

1. When loaning funds due to business dealings, the loan amount shall not exceed the total transaction amount of business dealings between both parties in the most recent year. "Business dealings amount" refers to the higher of the purchase or sales amounts between both parties.
2. When loaning funds due to a need for short-term financing, it shall be limited to the following circumstances:
  - (1) For the purpose of purchasing materials or for operational working capital.
  - (2) Other instances where the Board of Directors of the Company agrees to loan funds.

**Article 5** The Company's total loan amount and individual loan limits are as follows:

1. The Company's total loan amount shall not exceed 40% of the Company's net worth in its most recent financial statements.
2. For companies with which the Company has business dealings and in which the Company directly and indirectly holds voting shares exceeding 50%, the individual loan amount shall not exceed the total transaction amount of business dealings between both parties in the most recent year, and the total loan amount shall not exceed 20% of the Company's net worth in its most recent financial statements.
3. For companies with which the Company directly and indirectly holds voting shares exceeding 50% and that have a need for short-term financing, the individual loan amount shall not exceed 20% of the Company's net worth in its most recent financial statements.

**Article 6** The term and interest calculation method for the Company's loaning of funds are as follows:

1. Loan term: The maximum term for each loan shall be one year.
2. Interest calculation method: It shall be mutually agreed upon by the borrowing and lending parties within a reasonable range with reference to the bank lending rate on the loan date, and interest shall be calculated monthly.

**Article 7** The procedures for the Company to handle loaning funds are as follows:

1. The borrower shall submit a loan application to the Company. The Company's financial unit shall consider its necessity and reasonableness, conduct credit investigation and risk assessment on the loan recipient, and evaluate the impact on the Company's operational risk, financial status, and shareholders' equity. Subsequently, the financial unit shall propose relevant loan terms. If necessary, the applicant may be required to provide collateral notes of equivalent amount, a guarantor, or arrange for the setup of pledges or mortgages on collateral.
2. After review by the financial unit and the General Manager, the loan application shall be submitted to the Audit Committee for approval by more than one-half of its members and then to the Board of Directors for resolution. No other person may be authorized to make the decision. If the Company has independent directors, their opinions shall be fully considered, and their explicit consent or dissent and the reasons for dissent shall be recorded in the minutes of the Board meeting.
3. For any loan application approved or reduced by a resolution of the Board of Directors, the Company's financial unit shall fill out a notice of the resolution and inform the borrower. If not approved, the financial unit shall also fill out a notice stating the reasons and return it to the borrower along with the application form.
4. The financial unit shall disburse the funds after the loan agreement is properly signed and relevant collateral setup procedures are completed and verified as correct.
5. After disbursing the funds, the financial unit shall orderly organize and properly preserve relevant documents and records such as the agreement and collateral certificates.
6. The financial unit shall record the payment after review, and the same applies when the loan is repaid.

**Article 8** The Company's subsequent control measures for loaned amounts and procedures for handling overdue claims are as follows:

1. After the loan disbursement, the Company shall regularly monitor the financial status, business operations, and relevant credit conditions of the borrower and guarantor. If collateral is provided, attention shall also be paid to any changes in its collateral value. In

case of significant changes, the General Manager shall be immediately reported to, and appropriate action shall be taken as instructed.

2. When the borrower repays the loan at or before maturity, the interest payable shall first be calculated, and after the principal and interest are settled together, the collateral notes may be canceled and returned to the borrower, or the pledges and mortgages may be cancelled.
3. When the loan matures, the borrower shall immediately repay the principal and interest. If an extension is needed, the extension procedures shall be handled within one month before the loan's maturity. Each extension shall not exceed twelve months and shall be limited to one time. In case of violation, the Company may legally dispose of the collateral directly or seek recourse from the guarantor.

**Article 9** The Company's internal control over loaning funds is as follows:

1. The Company shall establish a reference book for loaning funds, meticulously recording details such as the loan recipient, amount, date of Board of Directors' approval, date of fund disbursement, and matters requiring careful evaluation as per regulations.
2. If, due to changes in circumstances, the loan balance exceeds the limit, the Company shall formulate an improvement plan and submit the relevant improvement plan to the Audit Committee to strengthen the Company's internal control.
3. The Company's internal auditors shall audit the procedures for loaning funds and their implementation at least quarterly, and prepare a written record. If significant violations are found, the Audit Committee shall be immediately notified in writing.

### **Chapter 3 Information Disclosure**

**Article 10** The Company shall announce and report the balance of funds loaned to others by the Company and its subsidiaries by the tenth day of each month.

**Article 11** If the Company's and its subsidiaries' loaning of funds reaches any of the following standards, the parent company shall make an announcement within two days from the date of occurrence:

1. The balance of funds loaned reaches 20% or more of the Company's net worth in its most recent financial statements.
2. The balance of funds loaned to a single enterprise reaches 10% or more of the Company's net worth in its most recent financial statements.
3. The Company or its subsidiary's new loan amount reaches NT\$10 million or more and reaches 2% or more of the Company's net worth in its most recent financial statements. If a subsidiary of the Company is not a domestic public company, and the subsidiary has matters specified in Subparagraph 3 of the preceding paragraph that require announcement and reporting, the Company shall do so.

**Article 12** The Company shall evaluate its loaning of funds and make adequate provision for doubtful accounts in accordance with generally accepted accounting principles, disclose relevant information appropriately in the financial reports, and provide relevant data to the certifying accountant for necessary audit procedures.

### **Chapter 4 Supplementary Provisions**

**Article 13** The Company's control procedures for subsidiaries loaning funds are as follows:

1. If a subsidiary intends to loan funds to others, the Company shall instruct it to formulate "Procedures Governing Loaning of Funds" in accordance with relevant regulations. These procedures shall be approved by the subsidiary's Board of Directors, then submitted to the shareholders' meetings of both parties for approval. The same shall apply to any amendments, and the subsidiary shall operate in accordance with its established procedures.
2. If a subsidiary of the Company intends to loan funds to others, it shall obtain approval from the Company before doing so. The Company's financial unit shall concretely evaluate the necessity, reasonableness, and risk of such loaning of funds to others, as well as its impact on the parent company's and subsidiary's operational risk, financial status, and shareholders' equity, and report it to the Board of Directors for approval.
3. The financial unit shall obtain a detailed statement of the balance of funds loaned to others from each subsidiary by the tenth day of each month.
4. The Company's financial unit shall regularly evaluate whether each subsidiary's subsequent control measures for its loaned amounts and procedures for handling overdue claims are appropriate.
5. The Company's internal auditors shall regularly audit each subsidiary's compliance with its "Procedures Governing Loaning of Funds" and prepare audit reports. Findings and recommendations from audit reports, after approval, shall be communicated to the audited subsidiaries for improvement, and regular follow-up reports shall be prepared to ensure that appropriate corrective measures have been taken in a timely manner.

**Article 14** If relevant personnel of the Company violate the provisions of these Procedures, the human resources unit shall impose disciplinary actions based on the nature of the violation.

**Article 15** These Procedures shall take effect after being approved by more than one-half of all members of the Audit Committee and then passed by the Board of Directors. They shall be submitted to each Audit Committee and reported to the shareholders' meeting for approval. If any director expresses dissent and such dissent is recorded or a written statement is provided, the Company shall submit the dissent concurrently to the Audit Committee and report it to the shareholders' meeting for discussion. The same shall apply to any amendments.

If the Company has independent directors, and these Procedures are submitted to the Board of Directors for discussion in accordance with the preceding paragraph, the opinions of each independent director shall be fully considered, and their explicit consent or dissent and the reasons for dissent shall be recorded in the minutes of the Board meeting.

In accordance with Article 14-5 of the Securities and Exchange Act, matters in these Procedures that require the approval of more than one-half of all members of the Audit Committee and a resolution by the Board of Directors, if not approved by more than one-half of all members of the Audit Committee, may be carried out 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.

"All members of the Audit Committee" and "all directors" as referred to in these Procedures shall be calculated based on the actual number of incumbent members or directors.

**Article 16** These Procedures were formulated on June 16, 2009.

First revision on January 19, 2010.

Second revision on October 03, 2014