

# Evertex Fabrinology Limited

## Procedure for Lending of Capital to Others & Endorsements and Guarantees

Article 1 : This processing procedure is in accordance with Article 36-1 of the Securities and Exchange Law.

Article 2 : The procedures are established for the purpose of asset protection and making information publicly disclosure. However, if financial-related laws and regulations provide otherwise, the provisions.

Article 3 : According to Article 15 of the Company Law, the company shall not lending it funds to shareholders or any other person except in the following circumstances:

1. Those companies who have business relationships with the Company ("Business Partners");
2. Those companies who have short-term financing needs ("Companies Seeking Short-Term Financing").

"Short-term" refers to a period of either 1 year or the business operation cycle for Companies Seeking Short-Term Financing, whichever longer shall apply.

Loans extended to Companies Seeking Short-Term Financing shall belimited to the following:

- (I) Companies which may be guaranteed by the Company and have the need for short-term financing facility:
    - a. Company which is directly or indirectly invested with over fifty percent of shares with voting right;
    - b. Holding companies of the Company, which is holding more than fifty percent of shares with voting right
  - (II) Other companies as approved by the Company's Board of Directors for such lending.
3. Limits on the Total Amount of Lending is the following:
- (I) The total amount of loans extended by the Company to the Borrowers have business relationships shall not exceed 40% of the net worth of the last period audited or reviewed by its accountants ("the Company's Latest Net Worth"). The separate amount shall not exceed the business transactions between both parties. Total amount involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties in the most recent year.
  - (II) The total amount of loans extended by the Company to all Companies Seeking Short-Term Financing shall not exceed 40% of the Company's Latest Net Worth. The amount of any individual loan hereunder shall not exceed 10% of the Company's Latest Net Worth.
  - (III) When handling loans extended by the Company to its subsidiaries, or loans extended by the Company's subsidiaries to one another, the procedure mentioned in paragraph 9 shall apply, and shall be resolved by the Board of Directors. For the same Borrower, the Board of Directors may authorize the Chairman to grant multiple drawdown or revolving credit to the said Borrower within one year, provided the total drawdown does not exceed the limit resolved by the Board of Directors. When a loan extended by the Company or its subsidiaries to an individual Borrower, the limit on the total amount mentioned in the preceding paragraph shall not exceed 10% of the said Borrower's net worth of the last period financial report audited or reviewed by its accountants. Borrowers mentioned in paragraph 2 of the Article 3 are exempted from this restriction.
4. The lending of capital between the overseas companies, whose voting shares are

100%-owned, directly or indirectly, should be submitted to the company's board of directors for resolution before handling. The total amount of the loan shall not exceed 100% of the net value of the company, and the financing period is limited to twenty years or twenty business cycles.

5. Loan Term and Interest Calculation

- (I) The term of loans extended by the Company shall not exceed 1 year. For Companies Seeking Short-Term Financing with a business operation cycle exceeding 1 year, the term of loans can be extended to the length of the cycle. The Company owns directly or indirectly 100% voting shares overseas subsidiary, The amount of loans extended shall be handled in accordance with the provisions of Article 3, Paragraph 4 of the Procedures.
- (II) The interest rate is calculated as not lower than the company's average interest rate for loan bank, and interest is charged on a monthly or annual basis, except where the project is approved.

Article 4: Endorsements and guarantees referred to herein shall have the meaning set forth below:

- 1. Financing endorsements and guarantees, including:
  - (I) Bills discounting financing;
  - (II) Endorsements or guarantees made to meet the financing needs of another companies;
  - (III) Issuance of a separate bills to a non-financial enterprise as security to meet the financing needs of the Company
- 2. Customs duty endorsements and guarantees refer to an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
- 3. Other endorsements and guarantees refer to those beyond the scope of the above sub-paragraphs.

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 be governed by these Procedures.

Subsidiaries, whose voting shares are 90% owned, directly or indirectly, by the Company, may make endorsements/guarantees for each other, provided that the amount of endorsements and guarantees made by such subsidiaries shall be less than 10% of the Company's net worth. The aforesaid amount ceiling shall not apply to subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company.

Article 5 : The Company may make endorsements/guarantees for the following

- 1. Companies with whom the Company has business relationships
- 2. A company in which the 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 Company.

Subsidiaries, whose voting shares are 90% owned, directly or indirectly, by the Company, may make endorsements/guarantees for each other, provided that the amount of endorsements and guarantees made by such subsidiaries shall be less than 10% of the Company's net worth. The aforesaid amount ceiling shall not apply to subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company.

The above restrictions in the preceding two paragraphs shall not apply to the circumstances where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry, or for the co-producers of the same project, for the purpose of construction project, or where all shareholders make endorsements/ guarantees for their jointly invested companies in proportion to their shareholding percentages.

Invested companies said in the preceding paragraph are those invested directly by the Company, or by the subsidiaries of which the Company owns 100% voting shares.

4. The amount of endorsement guarantee our company handles, including the total amount of endorsement guarantee and the amount of endorsement guarantee for a single enterprise.
  - (I) The aggregate amount of endorsements and guarantees issued by the Company shall be no more than the Company's paid-in capital.
  - (II) The total amount of the Company's endorsements and guarantees provided for any individual company shall be limited to 50% of the paid-in capital.
  - (III) The aggregate amount of endorsements and guarantees issued by the Company and its subsidiaries shall be no more than the paid-in capital at the time the endorsements and guarantees are issued.
  - (IV) When the aggregate amount of endorsements and guarantees issued by the Company and its subsidiaries exceeds the 50% of the paid-in capital, The Company shall report the necessity and rationale of the endorsements/guarantees in the Shareholders' Meeting.

Article 6 : The subsidiaries and parent companies referred to in these operating procedures shall be identified in accordance with the provisions of Financial Accounting Standards Bulletin No. 5 and No. 7 issued by the Accounting Research and Development Foundation of ROC.

Article 7 : The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.

"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the loans, whichever date is earlier.

Article 8 : According to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the company formulated "Procedure for Lending of Capital to Others & Endorsements and Guarantees". It should be approved by more than half of all members of the audit committee and submitted to the board of directors for resolution

According to these Procedures, the matters shall be approved by the Audit Committee, if the matters have not been approved by more than half members of all Audit Committee members, the matters shall be approved by the Board of Directors with two-thirds of all Directors and the resolution of Audit Committee shall be recorded in the Board of Directors minutes, and record the resolutions of the audit committee in the minutes of the board of directors meeting.

The Audit Committee members and the Board of Directors members as stated will only calculate the members in present position.

When handling loans extended by the Company to its subsidiaries, or loans extended by the Company's subsidiaries to one another, the procedure mentioned in paragraph 4 of the Article 9 shall apply, and shall be resolved by the Board of Directors. For the same Borrower, the Board of Directors may authorize the Chairman to grant multiple drawdown or revolving credit to the said Borrower within one year, provided the total drawdown does not exceed the limit resolved by the Board of Directors.

The certain amount referred to in the preceding paragraph is limited to the lower of NT\$20 million or 10% of the company's latest financial statement net worth.

Prior to the provision of endorsements or guarantees, the board of directors may authorize the chairman to make an advance decision in accordance with the relevant provisions of these operating rules within the limit of NT\$20 million for a single transaction.

More than NT\$20 million, or Subsidiaries, whose voting shares are 90% owned,

directly or indirectly, shall report to the Board of Directors of the Company for approval, prior to the provision of endorsements or guarantees being issued according to the paragraph 2 of Article 5 in the Procedures.

Article 9 : The company's loan and handling procedures

1. The Borrowers should fill out the loan application form and fill in the following points in detail for credit reference.
  - (I) Relevant information and certificates of the loan applicant (including full name, address, registration certificate and name of person in charge).
  - (II) The purpose of the loan.
  - (III) The expected method and source of repayment of the loan.
  - (IV) Fund loan, term and interest calculation method.
    - a. Loan term : The term of loans extended by the Company is 1 year.  
Procedure for Overdue Debts : When the loan becomes due, the Borrowers are unable to repay, if the company is still unable to recover its debt after necessary notification and reminders, it should immediately take recourse actions against the debtor through legal channels to ensure the company's rights and interests.
    - b. Interest Calculation : The company's method of calculating interest on borrowers, the borrowing rate from financial institutions is increased based on the company's borrowing rate, which is determined by the chairman of the board of directors based on the credit evaluation of the borrower, and is calculated and collected on a monthly basis.
2. Details of the collateral willing to be provided and information of the guarantor.
3. Detailed review procedures should include:
  - (I) Necessity and rationale of the loan.
  - (II) The Borrowers' credit standing and risk evaluation.
  - (III) Impact on the Company's operation, financial condition and shareholders' interests.
  - (IV) Whether collaterals are required and appraised values of such collaterals.
4. Loan approval : After credit investigation and evaluation, if the borrower's credit rating is good and the purpose of the loan is legitimate, it can be submitted to the chairman step by step for resolution by the board of directors, and no other person can be authorized to make a decision.
5. Subsequent control measures for the lent amount :
  - (I) Following drawdown of the loans, the Company shall constantly monitor the financial, business and the relevant credit conditions of the Borrowers and guarantor. Where security has been provided, the company shall also monitor the change in the value of the said security. Before the loan expires, the borrower should be notified to repay the principal and interest on time.
  - (II) The financial unit shall prepare details of capital loans to others and submit them to the general manager every month, and report to the board of directors. In addition, in accordance with GAAP, the Company shall assess the status of loans extended and reserve an appropriate amount to offset against bad loans. The Company shall furthermore disclose the relevant information in its financial statements and provide the chartered accountants with relevant materials for them to carry out the necessary audit processes, issue a proper audit report.
  - (III) The Company's internal audit shall audit periodic, evaluate the performance of this procedure and make written records in details. In the event of major irregularities, the internal audit shall inform the Audit Committee of the same. The Audit Committee shall notify the Financial Supervisory Commission and the Securities and Futures Bureau.
6. Loan term & Procedure for Overdue Debts
  - (I) Loan term : The term of loans extended by the Company is 1 year.

- (II) Procedure for Overdue Debts : When the loan becomes due, the Borrowers are unable to repay, if the company is still unable to recover its debt after necessary notification and reminders, it should immediately take recourse actions against the debtor through legal channels to ensure the company's rights and interests.

Article 10 : The company handles the endorsement and guarantee procedures:

1. When the guaranteed company requires endorsement, it should have an official letter stating the purpose and the total amount of the endorsement, attach the receipt, fill out the "Application for Endorsements / Guarantees" and send it to the company to request endorsement.
2. The above-mentioned official letter and bill should first be reviewed by the financial supervisor. The key points for review are as follows:
  - (I) Whether the reasons for requesting endorsement are sufficient and whether the accumulated endorsement guarantee amount is still within the limit.
  - (II) The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes, issue a proper audit report.
3. The financial supervisor will submit the audit opinions, official letter and bill to the chairman and general manager for verification.
4. The approved and endorsed bill may be returned to the guaranteed company after completing the following procedures.
  - (I) Stamp the company seal on the bill.
  - (II) Copy the front and back of the endorsement bill, deed, agreement and other relevant documents for safekeeping, and make a note of their contents.
  - (III) Before the end of the endorsement guarantee date, except for bill discounting financing, the Finance & Accounting Department should proactively notify the guaranteed person to take back the guarantee notes retained by the bank or creditor institution and cancel the relevant deed of endorsement guarantee.
  - (IV) The handling department should collect and analyze the operating information of each endorsed guarantee, and provide the board of directors with reference.
  - (V) A reference book should be established to record in detail the promised guarantee items, the guarantee period, the name of the endorsed guarantee enterprise, the risk assessment results, the amount of the endorsement guarantee, the contents of the collateral obtained, and the conditions and dates for releasing the endorsement guarantee liability, etc. for reference.
5. The review process for endorsement guarantees includes:
  - (I) Necessity and rationale of the endorsements/guarantees.
  - (II) Credit standing and risk evaluation of the party to be secured under such endorsements/guarantees
  - (III) Impact on the Company's operation, financial condition and shareholders' interests
  - (IV) Whether collaterals are required and appraised values of such
6. The Company shall use its seal registered with the Ministry of Economic Affairs as the designated seal for the provision of endorsements and guarantees. Such seals are to be held in the custody of dedicated personnel approved by the Board of Directors, and the use of such seals or the issuance bill should be carried out in accordance with this regulation. Where the company provides guarantees for foreign companies, its letter of guarantee shall be signed by a person authorized by the Board of Directors.
7. The company's control procedures for capital loans and endorsement guarantees

of companies that directly and indirectly hold more than 50% of the voting shares (Where endorsements/guarantees are made to the Company's subsidiaries, net worth of those falls below 50% of their paid-in capital)

- (I) The calculation is based on the net worth of companies that directly and indirectly hold more than 50% of the voting shares.
- (II) The Company shall make previous detailed list of loaning and endorsements/ guarantees of itself and its subsidiaries by the 10th of each month.
- (III) The Company's internal audit shall audit with the annual audit plan, understand the execution status of lending and endorsement guarantee procedures. In the event of major irregularities, the internal audit shall inform the general manager of the same.

Article 11 : Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in conformity with the conditions set out herein but exceed the limit as stipulated above as a result of business needs, it shall approval to the Board of Directors and the joint guarantee by more than half of the Directors in respect of the possible loss incurred by the excessive guarantee, as well as amendment to these Procedures subject to ratification by the Shareholders' Meeting. In the event that the Shareholders' Meeting raises objection, the Company shall formulate a proposal to cancel the excess within stipulated time limit.

Article 12 : Subsidiary, Procedure for Lending of Capital to Others & Endorsements and Guarantees

1. When a subsidiary of the Company needs to provide loans or endorsements/guarantees to other companies to satisfy its business requirements, the company should order the subsidiary to formulate the regulations in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", and executes accordingly.
2. When a subsidiary of the Company intends to loans or endorse guarantees for others, it shall submit the request to the Company for approval before doing so; the Company's accounting department and the full-time personnel designated by the general manager shall specifically assess the necessity of the matter and rationality, risks, and impact on the company and its subsidiaries' operational risks, financial status, and shareholders' equity shall be reported to the general manager and chairman of the board for approval.
3. Subsidiary should report to the company the amount, object and term of capital loans and endorsements/guarantees processed in the previous month, before the 5th day of each month. The company shall also make announcements, reports and copies thereof.
4. The subsidiary and each subsidiary's handling of capital loans and endorsement guarantees in the previous year and related matters should be reported to the shareholders' meeting for reference.

Article 13 : The company handles loans and endorsement guarantee, a reference book should be established and record loans and endorsements /guarantees provided, the relevant amount, the date of resolved by the Board or that on which the Chairman had approved, the date of endorsements and guarantees, and matters of due diligence as required under preceding article (1) herein.

The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and make written records on the status of implementation in details. In the event of major irregularities, the internal audit department shall inform the Audit Committee of the same in writing. Managers and handling personnel should be punished depending on the violation.

Article 14 : Where the parties secured by such loans or endorsements/guarantees fail to comply

with these Procedures or the amounts have exceeded the limits as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Audit Committee. Rectification shall be completed within the time frame stipulated in improvement plans.

Article 15 : The Company shall before the 10th day of each month publish and report the loans it and its subsidiaries extended and their balance amounts as of the end of last month. When limits of the Company's loans extended set below have occurred, the Company shall publish and report them within 2 days commencing immediately from the date of occurrence:

1. The balance of any and all loans extended by the Company and its subsidiaries has reached 20% of the Company's Latest Net Worth.
2. The balance of loans extended by the Company and its subsidiaries to an individual company has reached 10% of the Company's Latest Net Worth.
3. The amount of new loans of funds by the Company or the Company's subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the Company's net worth as stated in the latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the ROC any matters that such subsidiary is required to announce and report pursuant to item 3 of the preceding paragraph.

Article 16 : The Company shall before the 10th day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month. Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report within 2 days commencing immediately from the date of occurrence:

1. The aggregate balance of endorsements/guarantees provided by the company and its subsidiaries has reached 50% or more of the Company's Latest Net Worth.
2. The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company's Latest Net Worth.
3. The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached NT 10 Million or more and the aggregate amount of all endorsements/guarantees, the booking value of any investment accounted for using equity method, and balance of loans to, such company has reached 30% of the Company's Latest Net Worth.
4. The amount of new endorsements/guarantees made by the Company or the Company's subsidiaries reaches NT30 million or more, and reaches 5% or more of the Company's net worth as stated in the latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the ROC any matters that such subsidiary is required to announce and report pursuant to item 4 of the preceding paragraph.

Article 17 : The Procedures and any amendments shall be approved by the Audit Committee, then resolved by the Board of Directors, then forwarded to the Shareholders' Meeting for approval.

The Procedures was amended on June 30, 2022