



## **Procedures for Lending Funds to Others**

Article 1 The Company shall comply with the Procedures as set forth below when lending funds to other parties.

Article 2 Based on Article 15 of the Company Act, the Company's funds may not be lent to shareholders or any other party except under the following circumstances:

I. Companies or firms having business relationship with the Company.

II. Companies or firms in need of funds for a short-term period. The total amount available for lending purposes shall not exceed forty percent (40%) of the net worth of the Company.

For the purpose of the Regulations, "short-term period" shall mean the period of one (1) year. Provided that where the Company's business cycle is more than one year, the business cycle shall apply. Between any two foreign companies in which the Company directly or indirectly holds 100 percent of the voting shares or between the Company and any foreign companies in which the Company directly or indirectly holds 100 percent of the voting shares, the loan amount and the loan for a single company are subject to the restriction of 100 percent of the net worth of the company in its latest financial statement and to the restriction of one year but not subject to Subparagraph 2, Paragraph 1.

When responsible person of the company violates paragraph 1 or the proviso of the preceding paragraph, the responsible person shall bear joint and several liability with the borrower for repayment; if the company suffers damage, the responsible person also shall be liable for damages.

Article 3 The Company shall comply with the provisions of Article 4 when it engages in the loans in connection with business transactions. In addition to the aforementioned regulations, those who engage in the loans in connection with business transactions shall be subject to the principle that the transaction has already occurred, and the amount of financing shall be equal to the higher of the amount of purchases or sales between the parties in the most recent year or the current year within one year of the loan.

Fund lending to companies which need funds for a short-term period shall be limited to the following circumstances:



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I. For the purpose of repaying bank loans, purchasing equipment, or operating cash flow requirements of a company in which the Company directly or indirectly holds more than 50% of the voting shares of it.

II. For the purpose of repaying bank loans, purchasing equipment, or operating cash flow of an invested company in which the Company directly holds more than 20% of its shares.

III. Any others approved to be lent the funds upon approval of the Company's Board of Directors.

Article 4 Total amount of loan available and limit for the amount for individual targets

The Company's aggregate amount of loans is limited to 40% of the Company's net worth as shown in its latest financial statements. The limits on loans and advances of funds to individuals are determined as follows, depending on the reason for the loans.

I. For those who have business dealings with the Company, the total amount of funds lent shall not exceed 20% of the net value of the Company's latest financial statements; the amount of individual loans shall not exceed the higher of the Company's purchases or sales in the latest year or the current year as of the time the funds are lent.

II. Where it is necessary to obtain short-term financing, the total amount of funds lent shall not exceed 30% of the net worth of the Company's latest financial statements, and the amount of individual loans shall not exceed 20% of the net worth of the Company's latest financial statements.

When there is a lending for funding needs between subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount shall not exceed the net worth of the lender.

"Net worth" in this procedure means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5 Financial Department of the Company shall investigate and assess the borrower in detail and the assessment items shall at least include:

I. The necessity and reasonableness of loans to others.

II. Considering whether the amount of loaning of fund is necessary by evaluating the financial status of the borrower

III. Considering the credit and operation status of the borrower.



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IV. The impact of such loaning of fund upon the Company's business operation, financial condition and shareholders' equity.

V. Whether the collateral is required and the assessment of the collateral.

The aforementioned opinions shall be submitted to the chairman of the board of directors for approval and passed by the board of directors' resolution. No other party can be authorized to make a decision. The opinion of each independent director shall be fully considered and the express opinion of each independent director concurring or dissenting and the reasons for dissenting shall be recorded in the minutes of the Board of Directors.

Loans between the Company and its parent company or between the subsidiaries of the Company, the Chairman may be authorized, within a certain limited amount resolved by the Board of Directors, for a specific borrowing counterparty and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

Unless as provided by paragraph 2 of Article 4 hereof, the "limited amount" referred in the previous subparagraph lent by the Company or its subsidiaries to any single enterprise shall not exceed 10% of the net value of the Company based on its latest financial statements.

For foreign companies in which the Company directly or indirectly holds 100% of the voting shares, the maximum loan period for each loan shall not exceed two years.

The Subsidiary and Parent Company mentioned in these procedures shall be defined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 6 After a loan is extended, the finance department shall periodically evaluate the financial status and credit of the borrower and guarantor (if any). In the event that a loan is over-due and not repaid even after the Company's repeated attempt to collect payment, the finance department shall immediately notify the Chair and relevant department for further legal actions to protect the Company's interest.

If the borrower repays the loan on or before maturity, the borrower should repay the loan together with the principal and accrued interest before returning the guarantee note to the borrower or writing off the mortgage.

The borrower shall repay the principal and interest on the loan as soon as it is due.

In case of non-payment, a request for extension of time shall be made in advance



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and approved by the board of directors, and each extension of time shall not exceed three months and shall be limited to one time.

Article 7 The interest rate on loans and funds is based on floating interest rates and is adjusted according to the Company's cost of funds.

The term of each loan is less than one year; however, if the operating cycle of the Company is longer than one year, the operating cycle shall prevail.

Article 8 The Financial Department of the Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month. The company whose loans of funds reach one of the following levels shall announce and report such event within two days from its occurrence:

I. The aggregate balance of loans to others by the public company and its subsidiaries reach 20 percent or more of the public company's net worth as stated in its latest financial statement.

II. The balance of loans by the public company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.

III. The amount of new loans of funds by the public company or its subsidiaries reaches NT\$10 million or more and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement.

The aforementioned announcement and reporting refer to the input in the "Market Observation Post System" designated by the Financial Supervisory Commission (FSC).

"Date of occurrence" in the procedure 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 transaction, whichever date is earlier.

If there is any reporting and announcement required by the preceding article paragraph 3 for the Company's subsidiary which is not a Taiwan public company, the Company will follow the requirement on behalf of its subsidiary.

Article 9 The Financial Department of the Company and its Subsidiaries shall establish and maintain a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under the preceding Article.



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- Article 10 If the funds are lent by the Company, it shall be evaluated and make sufficient allowances for doubtful debts, and properly disclosed in the financial statement, the related information shall be provided to the certified public accountant for necessary audit procedures.
- Article 11 The internal auditors of the Company shall at least quarterly audit the procedure and implementation of lending funds to the other parties, and prepare the written record accordingly, should any material breach of these procedures is found, the auditors shall promptly notify the Audit Committee with a written notice.
- The Company shall lend funds to other parties pursuant to these procedures, managers and personnel in charge violate the rules of the procedure shall be disciplined according to the related regulations of the Company.
- Article 12 If a company of which more than 50% of its voting shares are directly or indirectly held by the Company intends to make loans to other parties, the Company shall establish its own rules for loans to other parties and shall check whether the loans and transactions are in compliance with these rules.
- Article 13 Where changes in circumstances of the Company result in that the entity to which the Company lent fund becomes a disqualified entity hereunder or the amount of lent fund exceeds the limited amount, the Company shall adopt rectification plans, submit the relevant rectification plans to the Audit Committee and complete the rectification on schedule for enhancing the internal control of the Company.
- Article 14 The Procedure shall be approved by one half or more of all the Audit Committee members and then submitted to the Board of Directors for resolution. The Company shall take each independent director's opinions into full consideration, and include in the minute of the board meeting, the definite dissenting or preserved opinion when proposing these procedures to the board meeting for discussion.
- In the event that it is not approved by one half or more of all the audit committee members, it may be approved by two-third or more of all the Directors, and the resolution of the audit committee shall be definitely recorded in the meeting minute of the board meeting.
- The all the audit committee members and all the Directors mentioned in the preceding paragraph shall be subject to the members who are actually at their post.

The procedure was established on May 29, 2019.

The 1st revision was made on Sep. 16, 2019.

The 2nd revision was made on Sep. 2, 2020.