

Fitipower Integrated Technology Inc.
Operational Procedures for Loaning of Funds and Making of
Endorsements/Guarantees

Article 1 Purpose

In order to meet the business needs and comply with the relevant laws and regulations, the Company has established these Procedures in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” issued by the competent securities authorities.

Article 2 Scope of Application

Whenever the Company loans funds to others and makes endorsements/guarantees for others, the procedures related to the loaning of funds and making of endorsements/guarantees shall be in accordance with the provisions of these Procedures.

Chapter I Loans of Funds to Others

Article 3 Borrower

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement; the aforementioned refers to those who have purchase or sales activities with the Company.
2. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender’s net worth.

The term “short-term” as used in the preceding paragraph means one year, or where the company’s operating cycle exceeds one year, one operating cycle.

The borrowers are limited to corporate entities and may not be a shareholder or any other person.

The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Company by any overseas company in which the Company holds, directly or indirectly, 100% of the voting shares. However, the Company shall still prescribe limits on the aggregate amount of such loans and specify limits on the durations of such loans according to Article 4 and Article 7.

When a 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 4 Aggregate amount of loans and the maximum amount permitted to a single borrower

1. The total amount of funds loaned to others shall not exceed 40% of the net worth of the Company as stated in the most recent financial statements audited or reviewed by a certified public accountant.
2. For a company which the Company does business with, the amount of individual loans shall not exceed the amount of business transactions in the most recent year (the higher of the amount of purchases or sales between the two parties).
3. If a company has short-term financing needs with the Company, the amount of each loan shall not exceed 20% of the above net worth.
4. For inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares, the amount of individual loans shall not exceed 30% of the net worth of the lending company as stated in its most recent audited or reviewed financial statements, and the total amount of loans shall not exceed 60% of the net worth of the lending company.

Article 5 Responsible unit

Unless otherwise specified, the financial unit shall be responsible for the loaning of funds.

Article 6 Level of decision-making and authorization

Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with these Operational Procedures. The Company may loan funds to others only after the evaluation results under this paragraph and Article 9 have been submitted to and resolved upon by the board of directors. The Company shall not empower any other person to make such decision.

Loans of funds between the Company and its parent company or subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, 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.

The “certain monetary limit” mentioned in the preceding paragraph on authorization for loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, except in cases of companies in compliance with Article 3, paragraph 4.

Article 7 Duration of loans

The duration of loans shall not exceed one year at a time.

The duration of loans between the Company and overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares shall not exceed two years at a time.

Article 8 Calculation of interest

The interest rate is calculated on a monthly basis at a rate not less than the Company’s prevailing cost of funds for the month in which the Company is allowed to lend.

Article 9 Detailed review procedures:

1. The necessity of and reasonableness of extending loans to others.
2. Borrower credit status and risk assessment.
3. Impact on the Company’s business operations, financial condition, and shareholders’ equity.
4. Whether collateral must be obtained and appraisal of the value thereof.

Article 10 Loaning procedure

1. Application:

When applying for a loan of funds from the Company, the borrower shall issue an application form to the Company’s financial unit, detailing the amount, duration and purpose of the loan.

2. Credit status:

- (1) For first-time borrowers, the borrower shall provide basic information and financial information for the Company’s financial unit to process the credit application.
- (2) For non-first-time borrowers, the credit status shall be assessed once a year, or once every six months in case of major cases.
- (3) If the borrower’s financial condition is good and the annual financial statements have been approved by a certified public accountant, the Company may refer to the CPA’s report on the assessment of loaning

of funds.

3. Approval of loans:

- (1) If, after credit investigation or assessment, the borrower has a poor credit status or the borrowing is for an improper purpose, the head of the financial unit shall reply to the borrower as soon as possible after signing the approval with the reasons for refusal.
- (2) If, after credit investigation or assessment, the borrower has a good credit status and the borrowing is for a proper purpose, the head of the financial unit shall fill out a credit report and an opinion, and prepare the loaning conditions, submit them to the chairman for examination and approval, and submit them to the board of directors for resolution.
- (3) After the loaning conditions are approved, the financial unit shall immediately notify the borrower in writing, detailing the borrowing conditions of the Company, including the amount, duration, interest rate, collateral and guarantor, etc.

4. Contracts signing and identity verification:

- (1) The case handling personnel of the loaning case shall fill out the loan contract and sign the contract according to the approved conditions.
- (2) After the borrower and the guarantor sign on the contract, the case handling personnel shall verify their identity.

5. Collateral rights:

If the borrower provides collateral, the borrower shall apply for creation of pledge or mortgage to secure the Company's debts.

6. Insurance:

The collateral, except for land and marketable securities, shall be insured against fire and, in the case of vehicles, against all risks. The amount of insurance shall be no less than the collateral value of the collateral, and the policy shall be endorsed in favor of the Company.

7. Appropriation:

After signing the loaning contract, submitting the cashier's check or IOU, and completing the procedures of mortgage creation and insurance, the funds can be appropriated.

8. Account recording:

Upon completion of each loan of funds, the financial unit shall prepare a journal voucher for obtaining a collateral or credit guarantee and submit

it to the accounting unit for recording.

Article 11 Repayment

When the borrower repays the loan at or before maturity, the interest payable shall be calculated and repaid together with the principal amount before the cashier's check or IOU is cancelled and returned to the borrower.

Article 12 Cancellation of mortgage

When the borrower applies for the cancellation of the mortgage, the borrower shall ascertain whether the principal and interest of the loan have been fully repaid and the cancellation of the mortgage can only be approved when the repayment has been made.

Article 13 Subsequent control measures for the amount of loans made and procedures for handling overdue debts

1. Continuous credit assessment:

After the loan is appropriated, the financial, business and credit status of the borrower and guarantor shall be constantly monitored, and if collateral is provided, any changes in the collateral value shall be noted, and the borrower shall be notified of the repayment of principal and interest before the loan is due. In the event of significant changes, the Company shall immediately notify the chairman and follow instructions for appropriate handling.

2. Overdue:

In the event of overdue debts that are still uncollectible after payment demands, the Company shall immediately pursue legal recovery against the debtor to ensure the Company's rights and interests.

3. Registration and custody of cases

(1) The Company shall prepare 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 these Operating Procedures.

(2) The case handling personnel of the lending case shall, after appropriating the loan, put the contract note, cashier's check and other debenture certificates, as well as collateral documents, insurance policies, and correspondence documents into a safekeeping bag in order, and mark the contents of the safekeeping bag and the name of the client on the bag, and then submit it to the head of the

financial unit for inspection, and seal it once the inspection is completed. Both parties will sign or seal the safekeeping book for safekeeping by the financial unit.

- (3) If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Operating Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the audit committee, and shall complete the rectification according to the timeframe set out in the plan.

Chapter II Endorsements/Guarantees for Others

Article 14 The term “endorsements/guarantees” as used in these Operating Procedures refers to the following:

1. Financing endorsements/guarantees, including:
 - (1) Bill discount financing.
 - (2) Endorsement or guarantee made to meet the financing needs of another company.
 - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

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 also comply with these Operating Procedures.

Article 15 Entity for which the endorsement/guarantee is made

1. The Company may make endorsements/guarantees for the following companies:
 - (1) A company with which it does business.
 - (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.

2. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.
3. Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.
4. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

Article 16 Total amount of endorsements/guarantees

1. The Company:
 - (1) The total amount of endorsements/guarantees made by the Company shall not exceed 60% of the net worth of the Company as stated in the most recent financial statements audited or reviewed by a certified public accountant.
 - (2) The amount of endorsements/guarantees for a single enterprise shall not exceed 40% of the above net worth.
 - (3) The amount of endorsements/guarantees made for the purpose of business relationship with a company which the Company does business with shall not exceed the amount of business transactions in the most recent year (the higher of the amount of purchases or sales between the two parties)
 - (4) With the approval of the board of directors, the amount of endorsements/guarantees made by the Company to its subsidiaries in

which the Company holds, directly or indirectly, 100% of the voting shares, shall not be limited to the net value mentioned in this paragraph.

2. The Company and its subsidiaries:

- (1) The aggregate amount of endorsements/guarantees made by the Company and its subsidiaries as a whole shall not exceed 60% of the net worth of the Company as stated in its most recent financial statements audited or reviewed by a certified public accountant.
- (2) The amount of endorsements/guarantees made by the Company and its subsidiaries as a whole to a single enterprise shall not exceed 40% of the above net worth.
- (3) With the approval of the board of directors, the amount of endorsements/guarantees made by the Company to its subsidiaries in which the Company holds, directly or indirectly, 100% of the voting shares, shall not be limited to the net value mentioned in this paragraph.

Article 17 Level of decision-making and authorization

1. The Company shall carefully evaluate whether the endorsements/guarantees comply with the provisions of these Operating Procedures and submit the results of the evaluation in accordance with Article 18, paragraph 2 to the board of directors for approval.
2. If the Company deems necessary, it may request the board of directors to authorize the chairman to approve the implementation in advance within the set amount, and then report to the most recent board meeting for ratification and report the relevant circumstances to the shareholders' meeting for review.
3. Before making endorsements/guarantees in accordance with Article 15, subparagraph 2, subsidiaries in which the Company holds, directly or indirectly, more than 90% of the voting shares, shall first submit the endorsements/guarantees to the Company's board of directors for approval. However, inter-company endorsements/ guarantees by companies in which the Company holds, directly or indirectly, 100% of the voting shares are not subject to this limitation.
4. Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in the Operational

Procedures for Endorsements/Guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/ Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

Article 18 Operating Procedures for Endorsements/Guarantees

1. When the guaranteed company requests for endorsement, it shall submit a cashier's check to the Company for endorsement with an official letter stating the purpose and the total amount of the endorsement.
2. The above-mentioned letter and cashier's check shall be reviewed by the financial unit first, and the key points of the review are as follows:
 - (1) The necessity of and reasonableness of endorsements/ guarantees.
 - (2) Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
 - (3) The impact on the company's business operations, financial condition, and shareholders' equity.
 - (4) Whether collateral must be obtained and appraisal of the value thereof.
3. The financial unit shall submit the audited opinion together with the letter and the cashier's check to the board of directors for approval. The endorsed cashier's check approved by the board of directors may be returned to the guaranteed company after completing the following procedures:
 - (1) Stamp the corporate chop.
 - (2) Make a photocopy of the front and back of the cashier's check of the endorsement and keep it for record.
 - (3) Register the endorsements/guarantees in the record book to manage the amount of endorsement.
4. For cashier's check that the chairman or the board of directors does not agree to endorse, the financial unit will send it back to the guaranteed company together with the cashier's check after stating the reason for not endorsing it.

5. The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the board of directors and may be used to seal or issue negotiable instruments only in prescribed procedures. When making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by the chairman authorized by the board of directors.
6. The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the endorsements/guarantees made, the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated these Operating Procedures.

Article 19 Cancellation of endorsed notes and changes of circumstances

1. The financial unit shall record the cancelled cashier's checks in the record book at any time to reduce the accumulated endorsement amount.
2. When a note is renewed, the financial institution often requires that the new note be endorsed before the old note is returned. In such cases, the financial unit shall have a follow-up record to recover and cancel the old notes as soon as possible.
3. Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the supervisors, and shall complete the rectification according to the timeframe set out in the plan.

Article 19-1 If the endorsed entity is a subsidiary whose net worth is less than one-half of the paid-in capital, the subsequent control measures are as follows:

When the Company or a subsidiary of the Company endorses a subsidiary whose net worth is less than one-half of the paid-in capital, the Company shall, in accordance with Article 18, examine in detail the necessity, reasonableness and risk assessment of the endorsements/guarantees, and periodically evaluate the financial, business and credit status of the subsidiary and whether the capital borrowings arising from the endorsements/guarantees are overdue. In addition, the Company's auditors

shall, in accordance with the annual audit plan, examine the subsidiary's performance in relation to the endorsements/guarantees or being endorsed, and shall report any abnormalities found.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Chapter III Procedures for public disclosure of information

Article 20 Reporting and announcement in accordance with the law

1. Before the 10th day of each month, the Company shall report the balance of the Company's and its subsidiaries' capital loans and endorsements/guarantees to the website designated by the competent securities authority.
2. When the Company's loans of funds reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:
 - (1) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
 - (2) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
 - (3) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.
3. When the Company's balance of endorsements/guarantees reaches one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:
 - (1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
 - (2) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the

Company's net worth as stated in its latest financial statement.

- (3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, and balance of loans to, such enterprise reaches 30 percent or more of Company's net worth as stated in its latest financial statement.
- (4) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.
4. If a subsidiary of the Company is not a domestic public company, the Company shall be responsible for any matters that shall be announced and reported by the subsidiary under subparagraphs 2, item 3 and subparagraph 3, item 4.
5. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.
6. The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

Chapter IV Management of Subsidiaries

Article 21 Management procedures for subsidiaries

1. If a subsidiary of the Company intends to loan funds to others or make endorsements/guarantees, the Company shall order the subsidiary to establish these Operating Procedures and comply with them; however, the calculation of net worth shall be based on the net worth of the subsidiary.
2. The subsidiary shall report to the Company by the fifth day of each month the amount, the endorsed party and the duration of the loan or the

endorsements/guarantees for the previous month.

3. When the Company's auditors conduct audits at the subsidiaries according to the annual audit plan, they shall also understand the implementation of the Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees by the subsidiaries, and shall notify the audit committee in writing as soon as significant irregularities are found.

Chapter V Supplemental Provisions

- | | |
|------------|---|
| Article 22 | In the event that the limit for the loaning of funds and the endorsements/guarantees differs from the actual currency, the exchange rate shall be the closing selling rate of the Taipei Forex on the date the board of directors approves the loaning of funds and the endorsements/guarantees. |
| Article 23 | The Company's internal auditors shall audit the Operational Procedures for Loaning Funds and Making of Endorsements/Guarantees to Others and the implementation thereof quarterly and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found. |
| Article 24 | If the managerial officers and the organizers of the Company violate these Operating Procedures, they shall be punished according to the severity of the situation in accordance with the relevant personnel regulations of the Company. |
| Article 25 | Any matters not covered by these Operating Procedures shall be handled in accordance with the relevant laws and regulations and the Company's relevant rules and regulations. If the securities authorities revise the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the Company shall comply with the provisions of the revised regulations. |
| Article 26 | When the board of directors discusses matters related to the loaning funds and making of endorsements/guarantees to others, the board of directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting. |
| Article 27 | Implementation and amendment
These Operating Procedures, and any amendments to it, shall enter into force |

after being approved by at least one-half of all members of the audit committee and submitted to the board of directors for resolution.

If the preceding Operating Procedures have not been approved by at least one-half of all members of the audit committee, they may also enter into force with the consent of at least two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting.

All members of the audit committee referred to in the second paragraph and all directors referred to in the preceding paragraph shall only include those who are actually in service.

Article 28 These Operating Procedures were established on June 24, 2005.

The first amendment was made on June 2, 2006.

The second amendment was made on June 26, 2009.

The third amendment was made on April 16, 2010.

The fourth amendment was made on May 24, 2013.

The fifth amendment was made on May 28, 2015.

The sixth amendment was made on June 21, 2018.

The seventh amendment was made on June 25, 2019.