

# Topoint Technology Co., Ltd

## Procedure of External Lending

### I. Preamble

These Operational Procedures comply with these Regulations when making loans to and endorsements for others; provided, where financial laws or regulations provide otherwise, such provisions shall govern.

### II. Details

(I) Except for the following borrowers, no loans shall be extended to shareholders or other parties:

1. Companies with which the Company has business dealings.
2. Company with short-term working capital requirements. "Short-term" refers to a one-year period or one business cycle (whichever is longer); working capital refers to the cumulative amount for short-term working capital from the Company.
3. Foreign companies, of which the Company directly or indirectly controls 100% of the voting shares, if engaged in the lending business, or when lending to the Company, will be exempt from the restrictions referred to in the preceding Section I(2), but no longer than five years.

(II) Total loan limit and limit for specific borrowers:

1. Total loan extended shall not exceed forty percent of the Company's net value.
2. Loan limit for a single borrower shall not exceed 50 percent to total loan extended.
3. For companies or branches having business dealings with the Company, loan extended to each borrower shall not exceed the total business volume between both parties. Business volume herein refers to goods purchased or goods sold between both parties, whichever is higher.
4. Foreign companies, of which the Company directly or indirectly controls 100% of the voting shares, if engaged in the lending business, or when lending to the Company, will be exempt from the restrictions referred to in the preceding Section II(1~3). Total loan extended shall not exceed 100 percent of the Company's net value.

The responsible person of a company who has violated Section I and

Section II shall be liable, jointly and severally with the borrower, for the repayment of the loan at issue and for the damages, if any, to company resulted there-from.

### (III) Review Procedures

1. The Company's finance department shall review the necessity based on the financing application (or official letter) from the loan applicant, and assess its usage, purpose and effectiveness. Interest rate and loan period as well as endorsed opinions on approval or refusal shall be submitted to the general manager and chairman for approval.
2. The Company's granting of loans shall be subject to prior approval through the Audit Committee and the board of directors' resolution.
3. The company and 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 instalments or to make a revolving credit line available for the counterparty to draw down.
4. The "certain monetary limit" mentioned in the preceding paragraph shall be in compliance with Article 3, paragraph 4. In addition, the authorized limit on 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.
5. The finance department shall review the loan limit to each borrower and adjust where necessary.

### (IV) Operating Procedures

1. Operating procedures as indicated in Annex
2. If loans are granted as a result of business dealings, officers in the Company's finance department shall assess if the loan amount is in line with the turnover from their business dealings. Where such loan is for short-term working capital needs, the reasons and details for such loan shall be provided.

### (V) Financing Loan Period and Interest Computation:

1. Every financing loan granted shall not exceed one year except foreign companies, of which the Company directly or indirectly controls 100% of the voting shares, if engaged in the lending to the Company, such financing amount shall not exceed. Referred to in the preceding Detail Section I(3) .
2. The Company's cost of funds shall be considered for every financing loan granted, and computation of interest shall be the cost of funds plus a minimum of 0.25 percent up to 1.25 percent, and the interest repayment period shall be agreed.

(VI) Important Notes for Loan Extension

1. For extension of loans, a memorandum book shall be prepared for future reference, indicating details of the loan borrower, loan amount, date of approval by the board of directors, date of extension of loan and items to be evaluated based on these *Procedures*.
2. The Company's finance department shall organise and manage the proofs creditors' rights such as written agreements and promissory notes, as well as security identification documents, insurance policies and correspondences.
3. The Company's internal auditors shall conduct audit checks on loan extension procedures and status of execution at least once every quarter and shall prepare written records. In the event of the discovery of any material violation, the various supervisors and independent directors shall be notified in writing.
4. Where the loan balance exceeds the limit as a result of changes in the Company, the audit department shall remind the finance department to establish a time limit to collect the excess amount and submit the remedial plan to the **Audit Committee**.

- (VII) Upon approval, these *Procedures* shall be included in the internal audit procedures of the Company's accounting system, and in accordance with the regulations of the Securities and Futures Commission, Ministry of Finance, the loans extended shall be completed in the standard report forms and submitted monthly to the relevant departments.

(VIII) Applicability to Subsidiary Companies:

1. Loans extended by subsidiaries which the Company holds more than fifty percent shareholding shall be subject to these *Procedures*.
2. The subsidiary's internal auditors shall conduct audit checks on loan extension procedures and status of execution at least once every quarter and shall prepare written records. In the event of the discovery of any material violation, the various supervisors shall be notified in writing.
3. When the Company's auditors conduct audit checks on the subsidiary companies based on the annual audit plan, the subsidiary's loan extension procedures to external parties shall be studied. Where major inadequacies are discovered, follow-up shall be taken on corrective actions taken and a tracking report prepared for submission to the general manager.
4. On a monthly basis, the subsidiary shall notify the Company in writing information relating to actual loans extended for preparation of consolidated public statement, reporting and carbon copies.

(IX) Information Disclosure

1. The Company shall, before the 10th day of every month, enter the loan granted by itself and its subsidiary in the previous month into the Market Observation Post System.
2. Where loans granted by the Company and subsidiary company reaches the following amount, announcement shall be made at the Market Observation Post System within two days after the occurrence thereof:  
Total balance on loans granted amount to more than twenty percent of the Company's net worth as stated in its latest financial statements.  
Total loans granted to a single company amounts to more than ten percent of the Company's net worth as stated in its latest financial statements.

Total loans granted to the company amounts more than 10,000 thousands and two percent of the Company's net worth as stated in its latest financial statements.

3. Where the Company subsidiary is not a domestic public company, and where the said subsidiary has items for public announcement as set forth in the preceding paragraph, the Company shall make such public announcements. Computation of the ratio of the aforesaid subsidiary's loan extension amount to net worth shall be based on the ratio of the aforesaid subsidiary's loan extension amount to the Company's net worth.
4. The Company shall assess the status of its capital loan extension based on the provisions, and shall set aside adequate provision for doubtful debts, and shall appropriately disclose the relevant information in the financial statements, as well as provide the relevant information for a certified public accountant to conduct the necessary review procedures.

(X) Penalty

Company managers and key personnel who violate these *Procedures* shall be reported and reviewed in accordance with the *Personnel Management Regulations* and *Staff Manual*, and a penalty imposed based on the severity of violation.

(XI) Implementation and Amendment

these operational procedure to loan fuds to others shall formulate its operational procedures for loaning funds to others in compliance with these regulations, and, after passage by the audit committee and the board of directors, approval by the shareholders' meeting, where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion for discussion by the shareholders' meeting, The same applies for amendments.

When the company has appointed independent directors, it shall fully consider the opinions of each independent director when making endorsements/guarantees for others; independent directors express reservations or objections and their reasons shall be included in the board meeting minutes.

If the approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the operational procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms all audit committee members in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.