

Emerging Display Technologies Corp. Procedures for Loaning Funds to Others

Article 1

The Corporation adopts these Procedures for the adherence to loan funds to others.

Article 2

The Corporation may loans funds to others under the following circumstances:

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement.
2. Where an inter-company or inter-firm short-term financing facility is necessary. The term “short-term” means one year, or where the Corporation’s operating cycle exceeds one year, one operating cycle.

Article 3

The Corporation shall follow Article 4, paragraph 1 where funds are loaned for reasons of business dealings. Where short-term financing is needed, the Corporation shall loan funds only for the following entities:

1. A company or a firm in which the Corporation directly and indirectly holds more than 50 percent of the voting shares and has a requirement due to business dealings.
2. A company or a firm which has a requirement due to purchasing materials or working capital.
3. Any entity which the Board of Directors has approved to loan funds to, except the Corporation’s shareholders or any other person.

Article 4

1. Where an inter-company or inter-firm business transaction calls for a loan arrangement, provided that the financing amount to a single borrower shall not exceed the total amount of trading between both parties. The term “total amount of trading” shall mean the higher amount within purchasing or selling by the Corporation in the past year. The aggregate financing amount shall not exceed 10 percent of the Corporation’s net worth.
2. Where an inter-company or inter-firm short-term financing facility is necessary or any entity which the Board of Directors has approved to loan funds to, provided that the financing amount to a single borrower nor the aggregate financing amount shall not exceed 40 percent of the Corporation’s net worth. The restriction shall not apply to inter-company loans of funds between overseas companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the Corporation by any overseas company in which the Corporation holds, directly or indirectly, 100% of the voting shares. However, the Corporation shall still prescribe limits on the aggregate amount of such loans and on the amount of such loans permitted to a single borrower, and shall specify limits on the durations of such loans.

Article 5

The Corporation follows below procedures to makes loans of funds:

1. The Corporation's subsidiary shall submit "Application Form for Loaning Funds to Others" to the Corporation's financial department for reviewing its necessity with relevant department. After that, the application will be submitted to the Board of Directors for approval.
2. Loaning funds to non-affiliated company shall follow the preceding procedures, obtain a guarantee bill with the same amount, and create a mortgage on the borrower's chattel or real property if necessary.
3. Before making a loan of funds to others, the Corporation shall carefully evaluate whether the loan is in compliance with these Procedures, keep a record of evaluation, and obtain the collateral if necessary. The Corporation shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors' meeting. The Corporation may loan funds to others after the evaluation results have been submitted to and resolved upon by the Board of Directors. Loans of funds between the Corporation and subsidiaries, or between the subsidiaries, shall be submitted for a resolution by the Board of Directors pursuant to the preceding procedures, and the chairman 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.
4. The term "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Corporation or any subsidiary to any single entity shall not exceed 10% of the net worth on the most current financial statements of the Corporation, except in cases of companies in compliance with Article 4, paragraph 2.
5. The Corporation shall record fund-loaning activities on "Record Sheet of Loaning Funds to Others" and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, lending/borrowing date, and the following review procedures.

The review procedures include:

- A. The necessity of and reasonableness of loaning funds to others.
 - B. Credit status and risk assessment of the entity to which the funds is loaned.
 - C. The impact on the Corporation's business operations, financial condition, and shareholders' equity.
 - D. Whether collateral must be obtained and appraisal of the value thereof.
6. If, as a result of a change in circumstances, the loan balance exceeds the limit, the Corporation shall adopt rectification plans and submit the rectification plans to the Audit Committee.

7. The Corporation may loan funds after the credit checking by financial department, approving by the chairman, and resolving upon by the Board of Directors. A material monetary loan shall require the approval of one-half or more of all Audit Committee members, and furthermore shall be submitted for a resolution by the Board of Directors. If the approval of one-half or more of all Audit Committee members is not obtained, this loan may be made 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.
8. The accounts receivable of the Corporation and subsidiaries (including related parties and non-related parties) that exceeds the normal credit period of three months and an amount exceeds NT\$45 million should be reported to the Board of Directors quarterly to pass a resolution whether its nature belongs to capital loans. (It will comply with Article 14-5 of the Securities and Exchange Act after establishing the Audit Committee in the future.) For non-fund loans and accounts, it is necessary for the Corporation to prove that there are no such intentions (e.g. taking legal actions, proposing specific and feasible control measures); otherwise it shall be regarded as a capital loan. As for received payments other than accounts receivable including subjects such as “other receivables”, “prepayments”, “refundable deposits” and others, an amount of more than NT\$45 million or with special nature, the payment amount is non-contract relationship, either the payment amount does not match performance obligations stipulated in contract or reasons for the payment disappear and is yet to be recovered over three months will be handled in accordance with the practice of accounts receivable.
9. According to Article 10, the fund loans recognized as aforesaid must make public announcement from the resolution date of the Board of Directors. As the amount is not in consistent with the original definition of accounting items in nature, it has to transfer to an appropriate accounting item (e.g. “other accounts receivable”).

Article 6

Where funds are loaned for reasons of business dealings, the duration of loans is less than one year in principle, and extended one year after approved by the chairman. Under special circumstances, it also can be extended according to the actual needs after approved by the Board of Directors. Where short-term financing is needed, the Corporation shall loan funds less than one year, and not extend the duration.

The interest rate of loaning funds shall not be lower than the highest interest rate of the Corporation's short-term borrowings from the financial institutions. The Corporation calculates and receives the interest monthly or quarterly in principle; under special circumstances, the Corporation may adjust it according to the actual needs after approved by the chairman.

Article 7

The Corporation's internal auditors shall audit the operational procedures for loaning funds to others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.

Article 8

The Corporation shall usually pay attention to the financial condition, business operation, credit status, and so on of borrowers and guarantors after loaning funds. If the collateral was obtained, the Corporation shall also be careful of the value changing of collateral, inform the chairman if significant change occurs, and settle it appropriately according to the indication.

The borrower shall calculate the interest payable in advance when repaying at or before the maturity. The Corporation shall return the promissory note to the borrower or deal with mortgage cancellation after the borrower repaying all principal and interest.

The borrower shall immediately repay all principal and interest at maturity, or it shall propose to extend the duration in advance and report to the chairman for approval. An extension may not exceed six months and shall be allowed only once. The Corporation may directly follow the law to dispose the collateral or recover from the guarantor if the borrower violates the rule.

Article 9

1. All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the hypothecary value of the collateral. The Corporation shall be named as the beneficiary of the insurance. The insured object, quantity, location, coverage conditions and insurance endorsement must be consistent with the requirements of the Corporation. Where the house numbers of the building was not decided on the date of mortgage creation, the Land Location and Land Number shall be shown as its address.
2. The personnel in charge shall inform the borrower to renew the insurance contract before expiration.

Article 10

1. The Corporation shall enter the previous month's loan balances of the Corporation and subsidiaries to the information reporting website designated by the competent authority by the 10th day of each month.

2. The Corporation whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
- A. The aggregate balance of loans to others by the Corporation and subsidiaries reaches 20 percent or more of the Corporation's net worth as stated in the latest financial statement.
 - B. The balance of loans by the Corporation and subsidiaries to a single enterprise reaches 10 percent or more of the Corporation's net worth as stated in the latest financial statement.
 - C. The amount of new loans of funds by the Corporation or subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Corporation's net worth as stated in the latest financial statement.

The Corporation shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.

"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 loan of funds, whichever date is earlier.

Article 11

Any violation of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" or these Procedures by managers and personnel in charge will be punished according to the Corporation's employee work rules.

Article 12

The Corporation shall evaluate the status of the loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in the financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

Article 13

After passage by the Board of Directors, the Corporation shall submit these Procedures to the shareholders' meeting for approval. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Corporation shall submit the dissenting opinions to the shareholders' meeting for discussion. The same shall apply to any amendments to these Procedures.

When the Corporation submits these Procedures for discussion by the Board of Directors, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director expresses any dissent or reservation, it shall be specifically recorded in the minutes of the Board of Directors meeting.

When the Corporation adopts or amends these Procedures, the amended procedures shall require the approval of one-half or more of all Audit Committee members, and furthermore shall be submitted for a resolution by the Board of Directors. If the approval of one-half or more of all Audit Committee members is not obtained, these 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” and “all directors” shall be counted as the actual number of persons currently holding those positions.

Article 14

The Corporation’s subsidiary intends to make loans to others shall formulate its own operational procedures for loaning funds to others with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, and it shall comply with the procedures when loaning funds.

Article 15

These Procedures have been passed by the Board of Directors on May 8, 1998.

The first amendment was approved on June 13, 2002.

The second amendment was approved on June 18, 2003.

The third amendment was approved on June 8, 2006.

The fourth amendment was approved on June 10, 2009.

The fifth amendment was approved on June 16, 2011.

The sixth amendment was approved on June 7, 2013.

The seventh amendment was approved on June 12, 2020.

The eighth amendment was approved on July 26, 2021.