

Hotai Finance Co., Ltd.
Operation Procedure for Endorsements and Guarantees

2022.06.23

Article 1

The Procedures Governing Loaning Funds to Others by the Company is stipulated in accordance with the "Securities and Exchange Act Article 36-1".

Article 2

Matters in relation to the Company's endorsements and guarantees shall be handled pursuant to this Operation Procedure.

Article 3

The scope of application of this Operation Procedure shall include:

1. Financial endorsements/guarantees:
 - (1) Discounted bill financing;
 - (2) Endorsement or guarantee made for the financing needs of other companies;
 - (3) Issuing negotiable instruments for the purpose of providing guarantee to obtain finance for its own business to an entity other than the financial institutions.
2. Custom duty endorsements/guarantees: means endorsement or guarantee for the Company itself or other companies in respect of custom duty matters.
3. Other endorsements/guarantees: means other endorsements or guarantees which cannot be included in the above two categories.
4. The Company's creation of a pledge or mortgage on its chattel or real estate as security for the loans of another company.

Article 4 Subject of Endorsement/Guarantee

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% of the voting shares in the company. The companies, directly or indirectly, with acquisition of more than 90% of voting shares can make endorsements/guarantees. However, the endorsements/guarantees amount shall not exceed 10% of the net worth of the company. In the case when company directly or indirectly acquires 100% shares of the subject is excluded from this limitation.

The Company may, in order to fulfill the needs of the construction project, with other company of the same type of business or joint funders, provide mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations. All shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding paragraph. Above called "Investment" means a company is directly invested by the Company or in which the Company directly and indirectly holds 100% of the voting shares.

Article 5 Quantum for the Endorsements/Guarantees

1. The amount of endorsements/guarantees made by the Company and its Subsidiary shall not exceed 100% of the Company's net worth as stated in its latest financial statement. Any single enterprise shall not exceed 100% of the Company's net worth as stated in its latest financial statement. The net worth of the Company shall be determined in accordance with its reviewed by a certified public accountant("CPA").
2. In addition to above restriction, the amount of the Company's endorsements and guarantees for any company that has business relations with the Company shall not exceed the total trading amount between the Company and said company. The term "trading amount" means the purchase amount or the sale amount between said two parties, whichever is higher.

Article 6 Endorsement and Guarantee Procedure

1. The to-be-endorsed/guaranteed company shall submit an application to the Financial Department (the " Financial Department") of the Company. The Financial Department shall conduct credit check on the to-be-endorsed/guaranteed company, evaluate the risk and prepare evaluation report. After the Financial Department has approved said endorsement/guarantee, it shall

submit the case to the General Manager and Chairman for their approvals. Where situation necessitates, the Company shall obtain collaterals as guaranty.

2. The Financial Department shall conduct credit check and risk evaluation on the to-be-endorsed/guaranteed company, the evaluation items shall include:
 - (1) Necessity and reasonability of the endorsement/guarantee;
 - (2) Evaluate whether the endorsed/guaranteed amount is reasonable based on the financial situation of the to-be-endorsed/guaranteed company.
 - (3) Whether the aggregate endorsed/guaranteed amount or the endorsed/guaranteed amount for single enterprise is within the limit.
 - (4) As to the Company's endorsements and guarantees for any company that has business relations with the Company, evaluate the endorsed amount and the total trading amount between the Company and said company and see whether it is within the limit.
 - (5) Evaluate the Company's operation risk, financial status and influence on the shareholders' equity.
 - (6) Evaluation on whether the obtaining of security is necessary and evaluation on the value of the security.
 - (7) Provision of the credit check and risk evaluation records regarding the endorsement/guarantee.

Article 7 Determination and Authorization

1. The endorsement/guarantee of the Company shall not be made until it approved by the Board. In the case that the Company resolves the endorsement/guarantee, the Board shall fully consider the opinions of the respective Independent Directors, and record the pros and cons opinions of the Independent Directors in the Board meeting minutes together with the reasons they have explained. The Board may then authorize the Chairman the right to approve any single endorsement/guarantee for no more than NT\$ 50,000,000 in accordance with this Operation Procedure, and report to the most recent Board meeting for their ratification thereafter.
2. In accordance to Article 4 No.2, before Company provides guarantees for subsidiaries which it has acquisition of more than 90% of voting shares, the endorsement/guarantee shall first be approved by the Board. However, in the case when the parent company provides guarantees to another company which it, directly or indirectly, acquires 100% shares of the subject is excluded from this limitation.
3. In the event that, due to business requirements, the Company needs to make

endorsement/guarantee for an amount exceeding the quantum provided by this Operation Procedure, and said endorsement/guarantee conforms to the conditions provided by this Operation Procedure, it shall propose said endorsement/guarantee to the Board for prior approval and request at least 50% of the number of the directors to provide joint guarantee against the potential loss that may arise from such endorsement/guarantee, amend this Operation Procedure and propose it to the Shareholders' Meeting for ratification. In the event that the Shareholders' Meeting does not agree with said endorsement/guarantee, the Company shall create a plan to cancel the exceeding part of endorsement/guarantee within certain period. The Board shall fully consider the opinions of the respective Independent Directors during the discussion of the Board Meeting, and record the pros and cons opinions of the Independent Directors in the Board meeting minutes together with the reasons they have explained.

4. Material endorsement/guarantee shall be approved by over 50% of all members of the audit committee and submitted to the Board of Directors for resolution. Otherwise, it may be adopted by the approval of at least two-thirds of all members of the Board. The resolution of the audit committee shall be recorded in the meeting minutes of the Board. "All members of the audit committee" shall mean the incumbent members of the audit committee, and "all members of the Board" shall mean the incumbent members of the Board of Directors.

Article 8 Cancellation of the Endorsements/Guarantees

1. In the event of any cancellation of endorsement/guarantee due to repayment of debt or extension of payment, the endorsed/guaranteed company shall formally send a letter enclosing the original endorsement/guarantee related documents to the Financial Department of the Company. The Financial Department shall place the seal of "Cancellation" on said documents and return them to the endorsed/guaranteed company; provided, however, the Company shall keep the said letter for record.
2. The Financial Department shall at all times record the cancellation amount into the Endorsement/Guarantee Record Book in order to reduce the aggregate amount endorsed/guaranteed by the Company.

Article 9 Internal Control

1. Financial Department shall establish an Endorsement/Guarantee Record Book

specifically recording the subject of endorsement/guarantee, amount of endorsement/guarantee, dates of approval by the Board and the Chairman, dates of endorsement/guarantee and items required to be deliberately evaluated in accordance with above provisions.

2. The internal auditing personnel shall audit this "Operation Procedure" and its implementation every quarter, as well as create a written record. In the event of any material violation of this Operation Procedure, auditing personnel shall immediately report it to the audit committee in writing.
3. The endorsement/guarantee of the Company shall be conducted pursuant to this Operation Procedure. In the event of any material violation, certain punishment shall be imposed on the manager or in-charge personnel, depending on the degree of violation.
4. In the event that, due to changes in situation, the endorsement/guarantee made by the Company later becomes unqualified under this Operation Procedure, or the endorsement/guarantee amount exceeds the limit under this Operation Procedure due to changes in the calculation basis, the Company shall discharge the endorsement/guarantee amount or the amount in excess on the date the agreement term expires or within a designated period pursuant to an internal plan. The above timeframe shall be reported to the audit committee.
5. When the public company or its subsidiary is applying for endorsements/guarantees for a subsidiary, which has a net worth lower than 1/2 of its actual capital, besides carefully evaluating the necessity, reasonableness and risk of the loan, a subsequent risk control plan shall also be adapted in event of possible risk.
6. Internal control regulation:
 - (1) The Company shall require improvement proposal from the supported subsidiary.
 - (2) The Company shall regularly review the improvement process, and ask subsidiary to provide the report to GM/ chairman if needed.
 - (3) The Company shall follow up the improvement process every quart.

Article 10 The Procedure for the Use and safekeeping of the Chop of the Company

1. The Company shall use the company chop (the "Chop") registered with the Ministry of Economic Affairs ("MOEA") for the use of endorsement/guarantee. The Chop shall be under the safekeeping of a special personnel and may be used to issue negotiable instruments only following the Company's internal procedure.

The appointment and the change of the personnel safekeeping the Chop shall be approved by the Board.

2. In the case that the Company provides guarantees in favor of a foreign company, the Guarantee Agreement shall be signed by the person who was authorized by the Board.

Article 11 Public Announcement and Filing Procedure

1. The Company shall make public announcement and filing regarding its last month's outstanding amount of endorsements/guarantees (including its subsidiaries' amount), on the 10th day of each month.
2. In the event that the amount of endorsements/guarantees of the Company reaches either of the following standards, it shall make public announcement and filing within two days from the occurrence of said endorsement/guarantee:
 - (1) The total amount of endorsements/guarantees reaches fifty percent or more of the Company's net worth as stated in its latest financial statement. Or after the Company's public announcement and filing pursuant to this clause, it engages in further endorsement/guarantee and the additional amount outstanding exceeds five percent of the Company's net worth stated in its latest financial statement.
 - (2) The amount of endorsements/guarantees in favor of any single enterprise reaches twenty percent or more of the Company's net worth as stated in its latest financial statement. Or after the Company's public announcement and filing pursuant to this clause, it engages in further endorsement/guarantee and the additional amount outstanding exceeds five percent of the Company's net worth stated in its latest financial statement.
 - (3) The amount of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investments accounted for using equity method, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.
 - (4) The aggregate amount of endorsements/guarantees provided to any single enterprise due to business relations exceeds the total trading amount between the Company and said enterprise in the most recent year. Or, after the Company's public announcement and filing pursuant to this clause, it engages in further endorsement/guarantee and the additional amount outstanding exceeds five percent of the Company's net worth stated in its latest financial statement.
 - (5) "Date of occurrence" in this Operation Procedure means the date of contract

signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparties and amount of the loan or endorsement/guarantee, whichever date is earlier.

3. As the Company is not a domestic public company, all the above-mentioned items that require public announcements and filing shall be announced and filed by the Company.

Article 12

In the event that the subsidiary of the Company intends to lend money to others

1. The Company shall supervise the subsidiary " to establish the procedures governing the lending money to others.
2. The subsidiary shall submit the lending and collecting reports by 6th of each month in order to audit or disclose regarding to regulations.

Article 13

The Company shall evaluate and recognize the contingent loss arising from the endorsements/guarantees. In addition, it shall duly disclose information regarding the endorsements/guarantees in its financial statement, and provide the CPA with related materials for the convenience of their conduct while auditing and in the issuance of a reasonable audit report.

Article 14

This Operation Procedure shall be revised based on the Article 7-4 and reported to the Shareholders' Meeting for approval upon the passing of the Board of Directors' resolution. If any director raises an objection with a record or a written notice, the Company shall submit these objections report to the shareholders' meeting for their discussion.

When this Operation Procedure is being discussed at the Board of Directors' meeting, the opinions of the independent director(s) shall be fully considered. Their opinions and reasons for and against the motions shall be recorded in the minutes of the Board of Directors' meeting.

Article 15

The relevant laws and regulations shall govern matters not expressly stated herein.