

# **Hotai Finance Co., Ltd.**

## **Operation Procedure for Loaning of Company Funds to Others of the Company**

2026/5/28

### **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**

The Company’s lending money to others shall be handled pursuant to these Procedures.

### **Article 3: The Qualified Borrowers**

Except for the following circumstances, the capital of the Company shall not be loaned to any shareholder or third party:

- (1) Any company or entity that has business relationship with the Company;
- (2) Any company or entity in need of short-term financing.

The “short-term” stated herein shall mean the period of one year, provided, however, where the Company’s business cycle is longer than one year, the period of the Company’s business cycle shall prevail.

The inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, individual company shall limit of the Company’s net worth, the total amount shall not exceed 200% of the net worth of the Company. The term of the loan shall be limited to 5 years, the methods of interest calculation shall be decided by approval of the board of directors.

### **Article 4: Reasons and Necessity for Lending**

Lending money to any company or entity due to the business relationship with the Company shall proceed in accordance with Article 5(2); lending money to any company or entity due to the need for short-term financing shall proceed in accordance with the following circumstances:

- (1) Any company or entity, which the Company owns more than 50% of its shares, is in need of short-term financing for its business operations.
- (2) Any company or entity that is in need of short-term financing for purchasing materials or for operating capital.
- (3) Any other situations approved by the Board of Directors of the Company.

### **Article 5: Maximum Amount of Lending & Limitation to Individuals**

- (1) The total amount of lending to others shall not exceed 20% of the net worth of the Company.
- (2) Each single lending transaction to any company or business entity, which has business relationship with the Company, shall not exceed the amount of transactions between the parties. The “Amount of Transaction” stated herein shall mean the price of purchasing or selling of products, whichever is higher.
- (3) Each single lending transaction to any company or entity in need of short-term financing shall not exceed 10% of the net worth of the Company.

### **Article 6: Procedures of Lending**

- (1) Before conducting the lending to others, the borrower shall apply to the Company in writing, citing the amount of the loan, along with necessary business and financial information of the Company.

After accepting the application, the responsible unit shall investigate, evaluate and prepare a credit report on the borrower’s businesses, financial condition, capability of repayment and credit record, capability of profitability, and the purpose of the loan.

- (2) The responsible unit shall conduct credit checks on the borrower and conduct a risk analysis. The matters to be assessed shall include at least the following:
  - (i) The necessity and reasonableness of lending;
  - (ii) Based on the borrower’s financial condition, determine whether or not the amount to be loaned is necessary;
  - (iii) Whether or not the cumulative and single lending transaction amount proposed to be loaned is within the limit;
  - (iv) Loans proposed to be made to the company which has a business relationship with the Company shall be assessed as to whether or not the lending amount and transaction amount exceed the limit.
  - (v) The impact on the Company’s operating risks, financial condition, and the shareholders’ interest.

- (vi) Whether or not any collateral has been obtained and the evaluated value of such collateral.
- (3) While processing all matters involving the lending money to others, the Company shall acquire a promissory note in the same amount of the loan from the borrower, and if necessary, obtain real property or personal property as collateral. If the debtor can provide any individual or company with proof of substantial financial capability and credibility as a guaranty to substitute the assets provided as collateral, the Board of Directors may process in accordance with the credit report acquired by the responsible unit. In case a company is the guarantor for the loan, it shall be attention to the Articles of Incorporation to determine whether or not there is any provisions stating that such situation is permissible.

#### **Article 7: Decision-Making Hierarchy**

All matters involving the lending money to others by the Company shall, after the Company's finance department has conducted a credit check and risk assessment, and where the borrower is credit worthy, the purpose for lending is legitimate, and it is necessary to make such lending and there is no concern with regard to the borrower's ability to repay, be processed the approval from the board chairman and the after adoption by the Board of Directors are obtained. The Board of Directors shall give due consideration to the opinions of all Independent Directors. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting. When the loan is made between the Company and its parent company or its subsidiaries, the board director shall have the ability to authorize a revolving or installment loan to the same borrower with the loan amount less than the total amount decided during the board meeting within a year. Furthermore, based on the consideration of internal control, the authorized lone of credit loaned to a single company shall not exceed 10% of the net worth of the company in the most recent company financial report.

For the purpose of the Procedures, the loaning of Company funds to others is deemed "material" where the approval of the board of directors ("Board of Directors" or "Board") is required according to the Procedures or applicable laws. Material loan transactions shall be approved by a majority of all members of the audit committee and submitted to the Board of Directors for resolution. If the Company fails to obtain the approval of a majority of all members of the audit committee, the procedures 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. As referred to in the preceding paragraph, "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: Term of Lending and Calculation of Interest**

- (1) Each loan shall have a term of less than one year as a principle. In the event of specific circumstances which meet the criteria stated on Article 3, Section 1 Clause 1, an extension on the loan may be approved by the Board of Directors according to the actual conditions.
- (2) The interest rate of lending shall not be lower than the average interest rate of financial institutions that charge on short-term loans to the Company. The interest shall be computed and payable on a monthly basis. In the event of specific circumstances, an adjustment may be applied upon the approval of the Board of Directors to reflect the actual need.

#### **Article 9: Subsequent Control Over Lending and Procedures of Overdue Credits**

- (1) After the disbursement of the loan, the responsible department shall always pay attention to the borrower and guarantor's financial, business and credit status. If there is any collateral, the responsible department shall also pay attention to whether or not the value of the collateral has fluctuated. When the fluctuation is substantial, it shall immediately report to the Chairman of the Board of Directors and take appropriate actions according to his/her instructions.
- (2) When the loan is due or repayment if made prior to the due date, the borrower shall calculate the interest accrued on the loan and repay such interest with the principal so that the promissory note can be cancelled and returned to the borrower or any mortgage on collateral can be cancelled thereafter.
- (3) The borrower shall, at the time the loan is due, immediately repay the principal amount, excluding borrowers who meet the criteria stated in Article 8, Clause 1. In case of any violation, the Company may, in accordance with the laws and regulations, dispose of the property provided as collateral or request the Guarantor to repay the loan.

#### **Article 10: Internal Control**

- (1) The finance unit shall establish a book of accounts for inspection. This book of accounts shall record, for inspection, to which the money has been lent, the amount lent, the date that the Board

of Directors made its approval, the date the money was lent and other matters which shall be assessed carefully under the regulations.

- (2) The Company's internal audit personnel shall inspect, at least quarterly, the procedures for lending money to others and other execution situations, and shall record such matters in writing. Where a material violation is revealed, a notice in writing shall report to the audit committee in writing.
- (3) The company shall comply with these Regulations when making loans to others. Any material violation found, punishment being imposed on the managers or personnel in charge.
- (4) In the event that, due to the change of situation, the borrowers are unqualified under this operation procedure, or the loans of funds amount exceeds the limit under this operation procedure, the Company shall formulate the amendment plan and be completed on time. The above timeframe shall be reported to the audit committee in writing.

#### **Article 11: Procedures for Disclosure of Information**

- (1) The Company shall publicly announce and declare the remaining amount of lending in the previous month of the Company and its subsidiary before the 10th day of each month.
- (2) If the loan meets any of the following circumstances, it shall be reported within two days upon occurrence of the fact, the date of occurrence to be counted as the first day:
  - (i) In the event that the lending amount to others and the remaining unpaid amount reaches 20% and over of the net worth of the Company and its subsidiary in the most recent financial statements.
  - (ii) In the event that the lending amount to one individual company and the remaining unpaid amounts reaches 10% and over the net worth of the Company and its subsidiary in the most recent financial statements.
  - (iii) The amount of capital financing to other enterprises by the Company and its subsidiaries reaches NT\$10,000,000, and 2% or more of the Company's net worth as stated in its latest financial statement.
  - (iv) "Date of occurrence" in these Regulations 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..
- (3) The Company shall announce and report on behalf of any of its subsidiaries that are not a domestic public company any matters that such subsidiary is required to announce and report pursuant to section 2 above.

#### **Article 12**

The company shall execute the following control activities when supervising its subsidiaries' audit management

- (1) In the event that the subsidiary of the Company intends to lend money to others, 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 the status of loans of funds, and shall set aside sufficient allowance for bad debts. It shall also adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures.

#### **Article 14**

Paragraphs 4 of Article 7 of the Procedures shall apply and also to any amendments to the Procedures. The Procedures have been adopted by the Board of Directors and Shareholders' Meeting. 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 the Procedures are being discussed at the Board of Directors' meeting, the opinions of the independent director(s) shall be fully considered. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the board of directors meeting.

#### **Article 15**

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