

Voltronic Power Technology Corp.

Procedures for Loaning of Funds to Others

Chapter I General Provisions

Article 1 These “Procedures for Loaning of Funds to Others” are duly enacted by the Company in accordance with Article 36~1 of the Securities and Exchange Act and the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (hereinafter referred to as Handling Regulations) promulgated by the competent authority.

Article 2 Where the Company lends funds to others, the Company shall duly handle the case in accordance with the Handling Regulations of the competent authority and the Operating Procedure unless otherwise prescribed in other laws and ordinances concerned or the Company’s internal control system which shall prevail, if any.

Article 3 Pursuant to Article 15 of the Company Act, the Company shall not lend fund to a shareholder or any others except a situation falling within those enumerated below:

1. A company or firm in business transaction with the Company.
2. A company or firm in a need of a short-term financing with the Company.

The term “business transaction” as set forth in Subparagraph 1 of the preceding Paragraph denotes the acts of purchase or sales with the Company.

The term “short term” as set forth in Subparagraph 2 of Paragraph 1 denotes one year. Where the Company’s business operation cycle is longer than one year, nevertheless, the Company’s business operation cycle shall prevail.

Article 4 The terms subsidiaries or parent company as set forth under the Operating Procedures shall be duly identified in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Where the Company’s financial statements are worked out in accordance with the International Financial Reporting Standards (IFRS), the term net worth as set forth under the Operating Procedures refers to the equity attributable to owners as per Balance Sheet as defined under the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Article 5 The term “announce publicly” as set forth in the Operating Procedures denotes an act to input into the information declaration website designated by the competent authority./

Chapter II Credit limit, duration and terms of interest accruelement for fund lent:

Article 6 Where the Company lends funds to others, the evaluation shall be conducted in accordance with the standards enumerated below while the limit of loan shall be duly calculated in accordance with Article 7 and Article 8:

1. Where the Company lends funds as a result of relationship of business transaction, the evaluation shall be conducted to check and verify whether the amount lent is commensurate with the amount in business transaction.
2. Where the Company lends funds to a company where the Company holds over 50% of the voting powers either directly or indirectly or a company in need of short-term financing in line of business need.
3. Where another company or firm is in need of working capital and short-term financing due to procurement of materials or business operation.

Article 7 The aggregate total funds lent by the Company shall not exceed the maximum of 40% of the Company's net worth as shown through the latest term financial statements duly audited or certified by the Certified Public Accountant. The limit of funds lent as a result of business transaction relationship is enumerated below:

1. Where the Company lends funds to others in response to relationship of business transaction with the Company, the aggregate total of financing shall not exceed 40% of the Company's net worth as shown through the Company's financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant.
2. Where the Company lends funds a company or firm in response to relationship of business transaction with the Company, the amount of individual financing shall not exceed 30% of the amount of transaction by and between both parties or 10% of the Company's net worth as shown through the Company's financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant, whichever is the lower. The term "business transaction" as set forth herein denotes the amount of purchase or sales by and between both parties within the one-year period starting from the month prior to the point of application, whichever is the higher.

Article 8 The aggregate total funds lent by the Company shall not exceed the maximum of 40% of the Company's net worth as shown through the latest term financial statements duly audited or certified by the Certified Public Accountant. The limit of funds lent as necessitated for short-term financing is enumerated below:

1. Where the Company lends funds a company or firm in response to a need of short-term financing, the aggregate total of the financing shall not exceed 40% of the Company's net worth as shown through the Company's financial statements of the latest term which have been audited, certified or reviewed by the Certified Public

Accountant.

2. Where the Company is in need to lend funds among foreign companies where the Company holds 100% voting powers either directly or indirectly as a result of a need for financing, the amount is free of the limit of 40% of the net worth of the loanees and the duration of the financing is free of the limit of one year or one business operation cycle. The aggregate total of the fund loaned to that subsidiary and the amount of the individual financing shall, nevertheless, not exceed 100% of the latest financial statements of the loanee and the duration of the loan shall not exceed the maximum of five years.

3. Where the Company lends funds a company or firm in response to a need of short-term financing, the amount of the individual financing shall not exceed 10% of the Company's net worth as shown through the Company's financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant.

4. The lending of funds by and among the Company and its parent company or subsidiaries, or among the Company's subsidiaries shall be submitted to the board of directors for resolution. The chairman may be authorized to appropriate or disburse in installments or in circulation within the credit limit at 10% of the Company's or a subsidiary's net worth as shown through the financial statements of the latest term which have been audited, certified or reviewed by the Certified Public Accountant and within the duration of one year.

5. In case of short-term financing funds among the overseas companies where the Company holds 100% voting power shares either directly or indirectly. The board of directors may authorize the chairman to appropriate or disburse in installments or in circulation toward a same loanee within the credit limit at 100% of the loanee's net worth as shown through the financial statements of the latest term, free of the restriction set forth under Subparagraph 4, Paragraph 1.

The term "amount of financing" as set forth in the preceding Paragraph denotes the accumulated balance of the funds financed by the Company.

Where the financial statements mentioned in Paragraph 1 call for certification or audit by a Certified Public Accountant, the net worth shown on the financial statements closed by the firm itself may be taken as the grounds to calculate credit limit..

Article 9 The duration of the funds loaned by the Company and the calculation of interest are enumerated below:

In terms of duration of funds lent by the Company, except financing among overseas companies where the Company holds 100% voting power shares either directly or indirectly, the duration shall not exceed one year in principle. The interest rate of the loan shall not be lower than the average interest rate of short-term loan borrowed by the Company from a financial institution or the equivalent interest rate during the

duration of the loan. The interest shall be calculated and paid on a monthly basis. .

Chapter III Handling procedures

Article 10 The Company shall lend funds through the procedures enumerated below:

1. Procedures for application

- (1) A desirous loanee who intends to apply to the Company for a loan shall fill up the application form, expressly indicating the amount, duration of the loan, purposes of the funds and submit it to the Company's Financial & Accounting Departments along with the applicant's fundamental particulars and financial papers.
- (2) The Financial & Accounting Departments shall first look into the objectives of the funds, business performance and review the case in accordance with Article 11 and shall work out the credit investigation and review reports, and submit the entire package to the board of directors in accordance with Article 12 for a resolution beforehand. The Financial & Accounting Departments shall not authorize another to resolve a decision.

2. Notification of the loans:

- (1) After an application case is approved, the Financial & Accounting Departments shall notify the loanee about the conditions granted by the Company as soon as possible, including the credit limit, collateral and guarantor(s). The loanee shall sign the contract, complete the procedures for mortgage establishment, guarantee verification procedures within the specified time limit ready for appropriation.
- (2) On the grounds of the outcome of credit investigation and evaluation or other factors in consideration, in the event that the Company does not intend to grant a loan to the applicant, the Financial & Accounting Departments shall, after receipt of final decision or disapproval from the board of directors, keep the applicant firm informed of the disapproval.

3. Execution of the Agreement and guarantee verification:

- (1) For a loan case, the Financial & Accounting Departments shall draft the terms and conditions for the loan to be reviewed by the competent department head(s) and consult with the legal personnel or legal consultant as necessary before execution of the Agreement.
- (2) The contents of the loan agreement shall be consistent with the terms and conditions of granted loan. After the loanee and the joint guarantor(s)

sign, affix seals on the agreement, the Financial & Accounting Departments shall complete the guarantee verification procedures.

4. Acquirement and custody of collateral

- (1) Where a loan case calls for collateral, the loanee shall provide collateral and proceed with pledge or mortgage establishment procedures. The Company shall, as well, evaluate the collateral value so as to firmly safeguard the Company's creditor's right.
- (2) Except land and negotiable securities, the collateral shall be insured against fire risks. Vessels, vehicles shall be insured against all risks. The insurance amount shall not be lower than the mortgage value of the collateral in principle. On the insurance policy(ies), the Company shall be the beneficiary. On the insurance policy(ies), the descriptions of collateral, quantities, location of storage, terms and conditions for insurance and riders shall be consistent with the terms and conditions granted for the loan. In the event that a building has not been numbered for doorplate at the time of mortgage, it shall be remarked with the location, lot number granted by the government.
- (3) The Department of Finance shall check and notify the loanee to renew the insurance before the insurance duration expires.
- (4) To assure that the loanee will pay back the loan within the specified time limit, the Company may, as the actual requirements may justify, request that the loan issue a one-year commercial promissory note to the Company, in the amount equivalent to the aggregate total of the loan, with the Company as the payee, with waiver of a protest. The commercial promissory note will be returned to the loanee when the loan is cleared off in full.

5. Appropriation of the loan

Where a loan application is approved, the loanee shall duly execute the loan agreement based on the approved terms and conditions, submit the commercial promissory note, complete the mortgage (pledge) registration, complete all guarantee verification procedures before the loan is granted.

6. Preparation and custody of documents:

- (1) For a loan application case, the Financial & Accounting Departments shall fill up the credit investigation and review reports the contents of which shall expressly include the name of loanee, cause of application, purposes,

objectives, amount of the loan, proposed duration of the loan, interest rate and results of evaluation conducted in accordance with Article 11 before the loan is approved and granted in accordance with Article 12.

- (2) For loans granted, the Company shall set up the memorandum books which shall bear registration of the loanees, amounts, dates of approval by the board of directors, date of loan appropriation, particulars of prudential review in accordance with Article 11 and the like in detail.

The attachments to the aforementioned reports shall be prudentially archived.

7. The subsequent follow-up control measures after granting of the loans, procedures over overdue loan cases:

- (1) After a loan case is granted, the Company shall prudentially watch the financial conditions, business performance and such credit standing of the loanee, guarantor(s). In case of collateral which has been provided, the Company shall prudentially watch the potential change in the collateral. In case of a critical change, the general manager shall be notified forthwith and take countermeasures as appropriate forthwith. The Company shall notify the loanee to clear off the principal and interest of the loan or extend the duration of the loan two months prior to the expiring date of the loan.
- (2) Where the loan expires or is paid back in full before expiry, the Company shall calculate the outstanding interest and request the loanee to clear off the outstanding interest along with the principal in full before the commercial promissory note may be returned to the loanee and the mortgage may be cancelled to close the loan case.
- (3) A loanee shall pay up both principal and interest of the loan when the loan duration expires. In the event that a loanee fails to reimburse and thus calls for a postponement, that loanee shall file application beforehand to obtain consent from the board of directors. As the actual situations may justify where not breaching laws and ordinances concerned, the duration of the loan may be extended or the interest rate may be adjusted. But all such acts shall only be handled only after the credit investigation and submittal for review process are completed anew. Except an event satisfactory to requirements set forth under Subparagraph 2, Paragraph 1, Article 8 where the aggregate total duration of the extended loan duration plus the originally approved duration shall not exceed the maximum of one year. In case of violation, the Company may straight dispose of the collateral or claim on the guarantor(s) for reimbursement.

- (4) In case of a change in situation where a loanee becomes consistent with the requirements set forth under the Procedures or where the balance exceeds the limit, the Company shall work out the remedial plans which shall be submitted to the Audit Committee. The corrective action shall be duly completed within the time limit specified in the remedial plans.

Article 11 The Company shall conduct and complete the following procedures before granting a loan to another:

1. Evaluation over the indispensability and rationality of the loan to others:
A loanee shall apply to the Company for the financing credit limit with necessary corporate and financial documents. The Company's Financial & Accounting Departments shall first look into the intended purposes and evaluate the indispensability and rationality of the loan.
2. Credit investigation over the loanees and evaluation of risks:
 - (1) In a case of initial loan, the loanee shall submit the letter of approval issued by the Ministry of Economic Affairs, alteration registry list, profit-seeking enterprise registration information, the responsible person's identity certificate and such papers in photocopies as well as the necessary financial papers to apply to the Company for financing credit limit.
 - (2) After the Company accepts the application, the Financial & Accounting Departments shall conduct investigation and evaluation into the business performance, financial conditions, solvency, credit standing and objectives of the loan by the loanees and shall work out reports.
 - (3) Where a loanee intends to renew a loan case, the credit investigation shall be conducted on an annual basis in principle. In case of a significant loan case, as the actual requirements may justify, the credit investigation shall be conducted on a semiannual basis.
 - (4) In the event that a loanee proves in a sound financial condition with financial statements which have been certificate by Certified Public Accountant for the financing need, the credit investigation report over one year but less than two years may be continually used. The Company shall, meanwhile, take reference to Certified Public Accountant audited financial statements in consideration of the loan case.
3. The impact upon the Company's business operation, financial conditions and shareholders' equity:
 - (1) Upon completion of the credit investigation and evaluation, if a loanee is

found in unsound credit standing while the Company decides not to grant the loan, the Financial & Accounting Departments shall propose the reason to decline the application for approval or disapproval from the board of directors and reply to the loanee as soon as possible.

- (2) Where the outcome of credit investigation proves a loanee in sound credit standing and in justifiable use of the loan, the Financial & Accounting Departments shall work out credit investigation and review report, evaluate the causes, purposes of use, objectives, amount of the case, effectiveness, value of provided collateral, credit standing, the applicant's latest financial statements and financial conditions, proposed interest rate and duration of the loan, with comprehensive evaluation of the operating risks of the loan case against the Company's business operation, the impact upon the Company's financial conditions and shareholders' equity. Then the Financial & Accounting Departments shall work out report accordingly.

4. Whether the collateral has been acquired and the value evaluated for the collateral:

Where the Company grants loan, unless the loanee is a subsidiary, the Company shall obtain a commercial promissory note in equivalent amount as collateral and shall, as necessary, obtain movable properties or real estate into mortgage for which, the Company shall conduct appraisal over the values of the movable properties or real estate beforehand.

For the security for the creditor's right mentioned in the preceding Paragraph, in the event that the debtor provides an individual or corporation in sound financial conditions and credit standing for guarantee instead of collateral, the board of directors may handle the issue with reference to the credit investigation report submitted by the Financial & Accounting Departments. Where a loanee provides a corporation for guarantee, the Company shall check and verify whether its Articles of Incorporation permit guarantee.

The Financial & Accounting Departments shall take the aforementioned outcome of evaluation to work out records and handle the issue based on the authorization levels as set forth under Article 12 of the Operating Procedures .

Article 12 Where the Company lends funds to others, the levels authorized for policymaking process and handling are enumerated below:

1. Before the Company lends its funds to others, the Company shall prudentially assess whether the case satisfies the handling rules of the competent authority and

these Operating Procedures. The case in package with the assessment result under Article XI proves an amount in excess of NT\$30 million, it shall be submitted to the Audit Committee to be resolved by all Audit Committee members through a one-second majority vote and be submitted to the board of directors for resolution. Where the amount is found below NT\$30 million, the loan may be granted after being resolved by the board of directors. Where the case fails to pass the solution by all Audit Committee members through a one-second majority vote, it may be resolved by two-thirds majority vote of the aggregate total director seats. The decision shall not be resolved through another person authorized.

2. Where the Company has set up independent directors and intends to grant fund to another, the opinions of the independent directors shall be taken into adequate consideration. Their opinions, pros and cons as well as their reasons of objection shall be expressly entered into the minutes of the board of directors meeting.

3. The lending of funds by and among the Company and its parent company or subsidiaries, or among the Company's subsidiaries if consistent with the requirements set forth under Subparagraphs 4 and 5, Paragraph 1, Article 8 where the board of directors authorizes the chairman to appropriate or to disburse in installments or in circulation, the case shall be handled in accordance with that Article..

Chapter IV The procedures over a subsidiary on the funds granted to others

Article 13 Where a subsidiary of the Company intends to grant fund to another, the Company shall take the following acts:

1. The Company shall order that subsidiary to duly enact the Procedures for Loaning of Funds to Others in accordance with the Handling Regulations promulgated by the competent authority and submit them to the subsidiary's boards of directors for pass and to its shareholders' meeting for consent, and shall duly handle the case in accordance with the Procedures so enacted.
2. The Company shall watch and confirm whether the subsidiary duly grants loans to others in accordance with the Procedures for Loaning of Funds to Others enacted by the Company and the subsidiary in accordance with the Handling Regulations promulgated by the competent authority.
3. A subsidiary which intends to grant funds others shall consult with the Company for opinions beforehand so as to satisfy the requirements set forth under Subparagraphs 2 and 4, Paragraph 1 of Article 8.
4. A subsidiary shall submit the memorandum books or other details certifying the

loaning of funds to others to the Company on a monthly basis..

Chapter V The procedures for announcement to public

Article 14 The Company shall announce to public the balance of funds loaned by the Company and its subsidiaries of the preceding month not later than the 10th day every month.

Article 15 Where the funds loaned by the Company are up to a situation falling within those enumerated below, the Company shall announce to public within two days from the date of occurrence of fact:

1. Where the balance of funds loaned by the Company and its subsidiaries to others exceeds 20% of the net worth of the latest term financial statements of the Company.
2. Where the balance of funds loaned by the Company and its subsidiaries to a single entrepreneurs exceeds 10% of the net worth of the latest term financial statements of the Company.
3. Where the aggregate total of newly increased funds loaned by the Company and its subsidiaries is up to NT\$10 million and exceeds 2% of the net worth of the latest term financial statements of the Company.

Where a subsidiary of the Company is not a company listed in the territories of the Republic of China and that subsidiary has any facts failing within three preceding Paragraphs, the Company shall announce such facts to public on behalf.

The term “date of occurrence of fact” as set forth in the first paragraph denotes the date upon execution of the Agreement, date of payment, date when the board of directors resolves the decision or other date while the transaction target and amount of transaction may be ascertained.

Chapter VI Supplementary provisions

Article 16 Audit

The Company’s internal auditor(s) shall audit Procedures for Loaning of Funds to Others and the implementation thereof on a quarterly basis as the minimum and shall keep the Audit Committee informed in writing whenever a significant violation is noticed.

Article 17 The Company shall evaluate the performance of granting of the funds and shall appropriate adequate allowance for bad debt accordingly and shall further disclose the relevant information in its financial statements. Furthermore, the Company shall provide the relevant information to the Certified Public Accountant as required for audit.

The receivables from related parties beyond the normal duration shall be converted into the category of other receivables which shall be deemed as fund financing in a disguised form. In the event that the sums converted into other receivables are attributed as loaned funds, such sums shall be put into public announcement based on the attribute in accordance with Article 14 and Article 15 and shall be submitted to the latest board of directors meeting for resolution in accordance with Article 12. In the event that the other receivables are attributed as the loaned funds and, as a result, the balance of the loans exceeds the specified limit, the remedial plan shall be worked out in accordance with Sub-subparagraph 4, Subparagraph 7, Paragraph 1 of Article 10 for faithful implementation. The remedial plan shall be submitted to the Audit Committee..

Article 18 Where a managerial officer and person-in-charge of the Company breaches the Handling Regulations or the Operating Procedures promulgated by the competent authority or the Operating Procedures, the competent department head or auditor shall immediately report the breach to the general manager or the Audit Committee. The general manager or the board of directors shall impose penalty to the relevant personnel as appropriate.

Article 19 The present case shall be submitted to the Audit Committee to be resolved by all Audit Committee members through a one-second majority vote and be submitted to the board of directors for resolution. Where the case fails to pass the solution by all Audit Committee members through a one-second majority vote, it may be resolved by two-thirds majority vote of the aggregate total director seats. After the case is resolved by the board of directors, it shall be submitted to the shareholders' meeting for approval. In the event that a director objects and the objection is backed with records or documents, the objection shall be referred to the shareholders' meeting for discussion and decision. This same provision is *mutatis mutandis* applicable to an event of an amendment.

Article 20 These Operating Procedures were duly enacted on June 11, 2012 and amended on December 10, 2012 as the 1st amendment. Amended on May 24, 2016 as the 2nd amendment.