

# Alpha Networks Inc.

## Procedures for Lending Funds to Other Parties

### **Article 1 :** Purpose and basis of formulation

These procedures are promulgated pursuant to Article 36-1 of Taiwan Securities and Exchange Act and "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".

### **Article 2 :** Borrowing entities

The Company shall not lend funds to other parties except under the following circumstances:

1. Companies or entities with business dealings; or
2. A subsidiary has short-term financing needs.

### **Article 3 :** Evaluation standards for lending funds to other parties

Where the Company lends funds to other parties with business dealings, it shall be in accordance with the provisions of paragraph 2 of article 4. Those who need to engage in fund lending due to short-term financing are limited to the following items:

1. The companies, whose shares are held by the Company with more than 20% shareholding, with short-term financing needs due to business issues.
2. Other companies with short-term financing needs due to the material purchases or working capital requirement.
3. Other borrowers approved by the board of directors of the Company.

### **Article 4 :** Limitation on the total lending amount to all borrowers and to respective borrower

1. The total lending amount to all borrowers shall not exceed forty percent (40%) of net worth of the latest financial statements of the Company.
2. The total lending amount to a company with business dealings shall not exceed the total transaction amount between the parties which occurred in the past one year or the estimate of business dealings in the next one year. Besides, the lending amount shall not exceed twenty percent (20%) of net worth of the latest financial statements of the Company. "Transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher.
3. The lending amount for a company with short-term financing needs shall not exceed twenty percent (20%) of net worth of the latest financial statements of the Company.
4. When lending needs exist among offshore subsidiaries whose voting shares are 100% owned directly or indirectly by the Company or between these offshore subsidiaries and the Company, the restriction of the aggregate amount and period is not applicable. However, the involved subsidiaries shall still prescribe limits on the aggregate lending amount and the lending duration.

**Article 5 :** Duration of loans and calculation of interest

1. The duration of each lending shall not exceed one year or the operating cycle of the Company. (Whichever is longer)
2. The interest rate shall be determined on the basis of the Company's funding costs and adjusted accordingly. The interests shall be calculated on a monthly basis. It can be collected monthly, quarterly, or settled once at maturity.

**Article 6 :** Lending funds procedures

1. Credit Check

- (1) When the Company lends funds, the borrower shall prepare necessary company information and financial information at first and apply for financing facility in writing. The Company shall evaluate the impact on the Company's operating risks, financial status and shareholders' equity.
- (2) After the Company accepts the application, the relevant department shall evaluate the business, financial status, solvency, credit and profitability of the borrower along with the purpose of the loan, and propose a report.

2. Security

The Company shall obtain the guarantees promissory notes with the same amount when lending funds. Besides, if necessary, set up mortgages for personal properties or real estates.

For the guarantees in the preceding paragraph, if the debtor provides a person or company with considerable financial resources and credit as a guarantor, instead of providing collateral, the board of directors may refer to the credit report of the relevant department. If the guarantor is a company, the Company shall pay attention to whether a guarantees clause is stipulated in its articles of corporation.

3. Scope of authorization

After the credit check done by the relevant department of the Company, the fund lending shall be submitted to the president for approval and then be proposed to the board of directors for resolution to execute the fund-lending.

If there are independent directors in the board of directors of the Company, when dealing with fund lending issues, the Company shall take into consideration the opinions of each independent director. The opinions of independent directors and the reason for these opinions shall be specified in the meeting minutes of the board of directors.

Fund-lending between the Company and its subsidiaries, or among the subsidiaries, shall be approved by the board of directors of the lending company and the board of directors may authorize the chairman to lend funds to a specific borrower or via a revolving credit line and exempt from providing guarantees under the second paragraph.

The "certain limit" mentioned in the preceding paragraph on authorization of fund-lending by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the latest financial statements of the lending company, except in cases complying with Article 4, Paragraph 4.

**Article 7 :** Information disclosure

1. The Company shall announce and declare the last month balance of lending funds by the Company and its subsidiaries in Market Observation Post System on the 10th day of each month.
2. The Company shall announce and declare the balance of lending funds within two days commencing immediately from the date of occurrence when the balance of lending funds meets one of the following standards:
  - (1) The aggregate balance of lending funds by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in the latest financial statements.
  - (2) The balance of lending funds the Company and its subsidiaries for a single entity reaches 10 percent or more of the Company's net worth as stated in the latest financial statements.
  - (3) The amount of new lending funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches two percent or more of the Company's net worth as stated in the latest financial statements.
3. The Company shall announce and declare on behalf of any subsidiary which is not a domestic public company where any matter of the subsidiary is required to announce and declare pursuant to subparagraph 3 of the preceding paragraph.
4. The Company shall make sufficient provisions based on the condition of its lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for conducting due auditing procedures.

**Article 8 :** Subsequent measures for control and management of loans, and procedures for handling delinquent claims.

1. After a loan is made, the Company shall evaluate the financial and business status and credit of the borrower and guarantor. If a collateral is provided, the Company should pay attention to whether there is any change in the value of the guaranty. In case of major changes, the Company should immediately notify the chairman and follow the instructions for appropriate handling.
2. When the borrower repays the loan before maturity, the interest payable should be calculated at first, and then the promissory note loan can be cancelled and returned to the borrower or the mortgage can be cancelled after the principal and the interest payable are paid off.
3. When the loan expires, the borrower should pay off the principal and interests immediately. If the repayment is not paid and postponed, a request must be made in advance and the board of directors must approve it. Each postponed repayment shall not exceed twelve months and shall be limited to one time. If the aforementioned procedures are not followed, the provided collateral or guarantor shall be dealt with and recovered according to laws.

**Article 9 :** Penalties

When the Manager and in-charge staff violate this Procedure deliberately or with gross negligence, it shall be dealt with in accordance with relevant personnel and administrative rules of the Company.

**Article 10 :** The Company shall prepare a memorandum book for its funds-lending activities and truthfully record the following information: the borrower, the lending amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated.

Internal auditors shall perform audits on the lending profile every quarter and propose written auditing reports. Should there be any violation found, a written report is needed to notify the audit committee.

**Article 11 :** The procedures regarding the Company's control of the lending to other parties by the subsidiaries of the Company.

1. Where a subsidiary of the Company intends to lend funds to other parties, the Company shall instruct the subsidiary to formulate its own "Procedures for Lending Funds to Other Parties" in compliance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" set by the Financial Supervisory Commission, and the subsidiary shall comply with these procedures when lending funds.
2. When lending funds to other party, the subsidiary should provide relevant information to the parent company, and the lending can be carried out after consideration of the opinions of relevant personnel of the parent company.

**Article 12 :** Others

1. "Subsidiary" and "parent company" as referred to in these procedures shall be as determined under the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".
2. The announcement and declaration referred to in these procedures refers to the information declaration website designated by the Financial Supervisory Commission.
3. Should a borrower no longer satisfy the criteria set forth in "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the audit committee and the proposed correction actions should be implemented within the period specified in such plan.
4. "Net worth" in these procedures means the equity attributable to the owners of the parent company in the balance sheet under the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".
5. "Date of occurrence" in these procedures means the date of contract signing, date of payment, dates of the resolutions of the board of directors, or other date that can conform the counterparty and the amount of the transaction, whichever date is earlier.

**Article 13 :** When the Company formulates or amends these procedures, the formulation or amendment shall be approved by a majority of all audit committee members and then be submitted to the board of directors for a resolution.

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

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

**Article 14 :** These procedures were formulated on 27<sup>th</sup> November, 2003.

Its first amendment was made on 19<sup>th</sup> June, 2009.

Its second amendment was made on 18<sup>th</sup> June, 2010.

Its third amendment was made on 15<sup>th</sup> June, 2012.

Its fourth amendment was made on 14<sup>th</sup> June, 2013.

Its fifth amendment was made on 20<sup>th</sup> June, 2014.

Its sixth amendment was made on 14<sup>th</sup> June, 2019.

Its seventh amendment was made on 28<sup>th</sup> January, 2021.

Its eighth amendment was made on 18<sup>th</sup> June, 2021.