

# **Catcher Technology Co., Ltd.**

## **Procedures Governing Loaning of Funds**

Article 1 All the loaning of funds by the Company to others shall be governed by these Procedures. These Procedures may not be applied to collection and payment due to business transactions. Any other matters not stipulated in these Procedures shall be governed by applicable laws and regulations.

### **Article 2 Borrowers**

The Company shall not loan funds to any of its shareholders or any other parties except under the following circumstances:

1. Where a party involves business transactions with the Company.
2. Where a party needs short-term financing from the Company.

The term “short-term” shall be a period of one year or a business cycle (whichever is longer).

In the event that the Representative of the Company violates Paragraph 1 of Article 2, it shall bear joint and several liability with the borrower for repayment. If the Company suffers damages, the Representative shall also be held liable for damages, where applicable.

### **Article 3 Reason and Necessity for Loaning of Funds to Others**

Where an inter-company or inter-firm business transaction calls for a loan arrangement, the Company shall conduct in accordance with Subparagraph 2 of Paragraph 1 under Article 4. If it is necessary to offer short-term financing, it shall be limited to the following circumstances:

1. A company or a firm of which the Company holds more than 50 percent of the shares has the need for short-term financing due to business reason.
2. A company or a firm needs short-term financing for the purchase of raw materials or as working capital.
3. Any other situations approved by the Board of Directors (the Board).

### **Article 4 Limit of Loaning of Funds**

The limits on the amount of the Company's loaning of funds are as follows:

1. The aggregate amount of funds loaned by the Company shall not exceed 40 percent of its net worth.
2. For the companies or firms which the Company has business contact with, the amount of individual loans shall not exceed the amount of the most recent

annual business transactions between the two parties. The “amount of business transactions” refers to the amount of purchase or sales between the two parties, whichever amount is higher.

3. For the companies or firms in need of short-term financing, the amount of individual loans shall not exceed 20 percent of the Company’s net worth.
4. The amount of funds and line of credit granted by the Company and its subsidiaries to a single enterprise shall not exceed 10 percent of the enterprise’s net worth as stated in its most recent financial statement.

The “aggregate amount of funds loaned” as prescribed in Paragraph 1 refers to the cumulative balance of the Company’s funds loaned for short-term financing.

5. The restrictions in Paragraph 1, Paragraph 3 and Paragraph 4 shall not apply to inter-company loaning of funds between overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, nor to loaning of funds to the Company by any overseas company in which the Company holds, directly or indirectly, 100 percent of the voting shares. The aggregate amount of such loans and the amount of funds loaned to individual borrower shall be limited to no more than 500 percent of the Company’s net worth.

The so-called “net worth” is based on the financial statements most recently audited, certified or reviewed by accountants. Where the Company’s financial statements are prepared according to the International Financial Reporting Standards, “net worth” prescribed in these Procedures refers to the equity attributable to owners of the parent company as stated in the balance sheet in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Article 5      Duration of Loans and Calculation of Interest

1. The term of each loan extended by the Company shall not exceed one year, and the loan shall be made in installments or a revolving credit line available for the counterparty to draw down in accordance with the amount and duration resolved by the Board.
2. The interest rates for the loans extended shall not be lower than the average borrowing interest rate of the Company.
3. The interest for the loans extended by the Company shall be calculated and charged once a month; under special circumstances, adjustments may be made with the approval of the Board based on actual conditions.
4. The inter-company loaning of funds between overseas companies in which the Company holds, directly or indirectly, 100 percent of the voting shares, or loaning of funds to the Company by any overseas company in which the

Company holds, directly or indirectly, 100 percent of the voting shares shall be limited to a period of five years. The loans shall be made in installments or a revolving credit line available for the counterparty to draw down within the amount and during the period resolved by the Board. When necessary, the duration, repayment, amount and interest rates of the loans shall be reviewed and adjusted, with the approval of the Board.

## Article 6     Operating Procedures

### 1. Credit Check:

When the Company makes loaning of funds to others, the borrower must first submit pertinent company and financial information. The Company's Finance Department shall investigate and assess the borrower based on the following matters, and shall assign a credit information service company to take charge when necessary:

(1)Operations; (2)Solvency; (3)Purpose of borrowing; (4)Impact of the Loaning on the Company's Operational Risks, Financial Position and Shareholders' Equity.

For loaning of funds due to business interactions, the Company's Finance Department shall assess if the amount of loans is compatible with the underlying transactions. Where short-term financing is needed, the Finance Department shall list the reasons and circumstances that justify the loaning of funds, review as well as approve the maximum line of credit, duration, interest charged and other relevant items to complete a report. The Finance Department shall then submit the report to the Chairman of the Board for approval and thereafter submit it to the Board for resolution.

### 2. Guarantee:

Where the Board deems it necessary, it shall obtain the equivalent collateral provided by the borrower and make necessary arrangements (for instance transfer, holding, mortgage, creation, etc.) to secure the Company's rights.

If the borrower chooses individuals or corporates with considerable resources and credit as guarantee, in lieu of providing collateral, the Board may refer to the investigation opinions of the Finance Department. Where a corporate guarantee is adopted, the guarantor company shall stipulate a guarantee clause in its Articles of Incorporation and submit the relevant minutes of shareholders' meeting.

If the borrower fails to perform the financing contract for any reason, the Company may dispose of or recover the collateral or guarantee as provided in accordance with applicable laws and regulations.

3. Decision-making and Authorization:

Loaning funds to others shall be assessed by the Finance Department for relevant risks, submitted to the Chairman of the Board for approval, and submitted to the Board for resolution.

When making loaning of funds to others, the Company shall take full consideration of the opinions of each independent director. Where independent directors express any dissent or reservation, it shall be noted in the meeting minutes of the Board.

Material loaning of funds to others shall be approved by one-half or more of all members of the Audit Committee, and shall be submitted to the Board for resolution.

If not approved by one-half or more of all members of the Audit Committee as prescribed in the preceding item, the material loaning of funds may be implemented with the consent of two-thirds or more of all directors, not subject to the provisions of the preceding item. The resolution of the Audit Committee shall be specified in the meeting minutes of the Board.

4. Management Records:

(1) Future reference: The Finance Department shall publish in details the name of the borrower, the results of risk assessment, the amount of loaning of funds and the accumulated loans made, the content of the collateral obtained, as well as the conditions and date prescribed for the recovery of the loaning of funds.

(2) Data Keeping: The Finance Department shall photocopy and keep the deeds, agreements and any other relevant documents of the borrower and read the contents thereof in details.

(3) Termination of Loaning of Funds: Before the loaning of funds expires, the Finance Department shall take an initiative to notify borrowers, recover the loans of funds, return relevant deeds, and publish the corresponding information for future reference.

(4) Change of Loaning of Funds: Where as a result of changes of conditions, the borrowers fail to comply with the provisions of these Procedures or the outstanding balance exceeds the preset line of credit, the Company shall formulate an improvement plan, send the plan to the Audit Committee, and complete the improvement in accordance with the timeframe as planned.

5. Financial Report Disclosure:

In each accounting period, the Finance Department shall appropriately disclose the following information in the financial statements and provide relevant auditing information required for certified public accountants to assess, item by

item, the risks associated with loaning of funds and its necessity:

- (1) Material related-party transactions.
- (2) Contingent matters with significant impacts.
- (3) Matters related to loaning of funds.

6. Audit:

In order to strengthen the control over loaning of funds, the Company's internal auditors should conduct regular inspections. The internal auditors shall audit the Procedures Governing Loaning of Funds 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 7 Detailed Reviewing Procedures

The Finance Department shall conduct detailed assessment and investigation of the borrowers of funds; the assessment and investigation shall comprise the following matters:

- (1) The necessity and rationality of loaning of funds to others.
- (2) The appropriateness of the amount of funds extended based on the financial situation of the borrowers.
- (3) The accumulated loans extended as compared with the preset line of credit.
- (4) The impact of loaning of funds on the Company's operational risks, financial conditions and shareholders' equity.
- (5) Collateral availability and the value of collateral.
- (6) Credit check and risk assessment records of the borrowers.

Article 8 Public Announcement and Reporting Procedures

1. The Company shall announce and report by the tenth of each month the outstanding balance of loans extended in the previous month by itself and its subsidiaries.
2. Where the outstanding balance of loans of funds reaches any of the following criteria, the Company shall make public announcement and report the event within two days commencing from the date of occurrence:
  - (1) The aggregate balance of loans made by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
  - (2) The aggregate balance of loans made by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
  - (3) The new loans made by the Company or its subsidiaries reaches NT\$10

million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

"Date of occurrence" in these Procedures refers to the date of signing contracts, date of payment, date of the Board's resolutions, or any other dates that confirm the counterparty and monetary amount of the loaning of funds, whichever date is earlier. The Company 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.

#### Article 9 Controlling and Managing Loans of Funds; Procedures of Handling Overdue Loans

1. After loans are disbursed, the Company shall pay close attention to the financial status, business operations and relevant credit information of the borrower and the guarantor. Where the loans are secured with collaterals, the Company shall pay close attention to any change in the value of the collaterals. When there is a major change, the Company shall notify the Chairman of the Board immediately and take appropriate actions as instructed.
2. Where the borrower repays the loans due or prior to maturity, the interest payable shall be calculated and repaid with principal before the IOU or promissory note is written off and returned to the borrower, or before the mortgage is written off.
3. The Company may require the borrower to repay immediately the full amount of loans due, or shall recover the collaterals or enforce the guarantors provided in accordance with applicable laws and regulations.

#### Article 10 Controlling and Managing Loaning of Funds to Others by Subsidiaries

1. Where a subsidiary of the Company intends to make loaning of funds to others, the Company shall instruct the subsidiary to formulate its operating procedures for loaning of funds in accordance with the provisions of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies stipulated by the Financial Supervision Commission of the Executive Yuan, and the subsidiary shall comply with its operating procedures for loaning of funds.
2. The subsidiary shall prepare a statement of loaning of funds to others for the previous month before the 10th (exclusive) of each month and submit it to the Company.
3. When the Company's auditors inspect the subsidiary in accordance with the annual audit plan, they should, as well, comprehend the loaning of funds to others by the subsidiary. Where any defective matters are found, the auditors should

continue to follow up on the progress of improvement and submit the follow-up reports to the General Manager.

#### Article 11 Penalties

Penalty for violation of these Procedures by managers or personnel in charge shall be handled based on the severity of the circumstances in accordance with the Company's rules for personnel administration.

#### Article 12 Implementation and Amendment

The matters hereof under Article 14-5 of the Securities and Exchange Act shall be subject to the consent of one-half or more of all members of the Audit Committee, and furthermore shall be submitted to the Board for resolution and to shareholders' meetings for approval. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the Audit Committee and shareholders' meetings for discussion. The same shall apply to any amendments to these Procedures.

If not approved by one-half or more of all members of the Audit Committee as prescribed in the preceding paragraph, these Procedures may be implemented with the consent of two-thirds or more of all directors, not subject to the provisions of the preceding paragraph. The resolution of the Audit Committee shall also be specified in the meeting minutes of the Board.

The terms "all members of the Audit Committee" and "all directors" in the preceding paragraph shall be counted based on actual incumbent.

When the Company submits these Procedures to the Board for discussion in accordance with the preceding paragraph, each independent director's opinion shall be taken into full consideration. Any dissent or reservation of independent directors shall be recorded in the meeting minutes of the Board.