

Young Fast Optoelectronics Co., Ltd.
Operational Procedures for Loaning Funds to Others

Article1: Legal basis

- I. The Company has established these Procedures in accordance with Article 15 of the Company Act, Article 36-1 of the Securities and Exchange Act and the provisions of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" as promulgated by the Financial Supervisory Commission of the Executive Yuan. If there are any issues that are not covered in these Procedures, they are to be handled in accordance with relevant laws and regulations.
- II. If the Company directly and indirectly holds more than 50 percent of the voting rights of a subsidiary, then those that intend to lend funds to others shall set up procedures for the subsidiary's lending of funds to others in accordance with the processing guidelines and the Company's operating procedures. However, if there is a conflict between the processing guidelines or the provisions of these operating procedures on the one hand and the laws and regulations of the subsidiary's location on the other, the local laws and regulations shall first be applied.

Article2: Entities to which the company may loan funds

- I. The company shall not loan funds to any of its shareholders or any other person except under the following circumstances:
 - (I) Where an inter-company or inter-firm business transaction calls for a loan arrangement.
 - (II) Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.
- II. The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.
- III. The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the public company's short-term financing.

IV. The restriction in paragraph 1, subparagraph 2 shall not apply to inter-company loans of funds between overseas companies in which the company holds, directly or indirectly, 100% of the voting shares, nor to loans of fund to the company by any overseas company in which the company holds, directly or indirectly, 100% of the voting shares.

Article3: Determination of Lending of Funds and Relevant Conduct

When the funds of the Company fall under the following circumstances, the accounting unit shall report to the Board of Directors a resolution concerning whether such funds fall under the nature of a loan of funds:

- I. For the accounts receivable of related and non-related parties of the Company, where the amount of a single counterparty exceeds the normal credit period of 3 months and reaches 1% of the Company's net value, has not been recovered before the meeting of the Board of Directors, and a resolution of the Board of Directors has not yet reported whether or not such funds fall under the nature of a loan of funds, then resolutions of the Audit Committee and of the Board of Directors should be submitted quarterly. The Company should truly assess whether or not there is a loan of funds and its intentions, including whether or not to take legal actions and propose specific and feasible control measures.
- II. In the case of payments other than the Company's accounts receivables, including but not limited to other receivables, prepayments and deposit deposits, etc., where a single counterparty's receivables attains 2% of the Company's net value, and where there is any situation such that the payment amount does not have a contractual relationship, the payment amount does not match the performance obligations stipulated in the contract, or the reason for the payment has disappeared and the payment has not been recovered after more than 3 months, etc., it shall be handled in accordance with the provisions of the preceding paragraph.

If the aforementioned funds of the Company are determined to fall under the nature of a loan of funds, an announcement shall be made in accordance with

Article 15 of these Procedures from the date of the resolution of the Board of Directors. In addition, due to the fact that the nature of these payments are inconsistent with the original definitions of the accounting items, appropriate accounting items should be transferred.

When the Company determines that a loan falls under the nature of a loan of funds and the balance exceeds the limit in accordance with the above rules, an improvement plan shall be determined and implemented in accordance with the provisions of Article 13, Paragraph 4 of these Procedures and the improvement plan shall be sent to the independent directors and to the Audit Committee.

Article 4: The aggregate amount of loans and the maximum amount permitted to a single borrower

- I. The Company's total loan amount shall not exceed 50% of the net value of the Company.
- II. For a company or firm with which the Company does business, the individual loan amount shall not exceed the transaction amount for business between the two parties in the previous year or the current year, total loan amount shall not exceed 40% of the net value of the Company. The transaction amount for business between the two parties referred to herein refers to the higher of the purchase or sale amount between the two parties.
- III. The Company's total short-term financing loan amount shall not exceed 40% of the net value of the Company.
- IV. For companies or firms where lending is necessary for short-term financing, the individual loan amount shall not exceed 10% of the net value of the Company.
- V. If short-term financing is necessary for a loan of funds between foreign subsidiaries in which the Company directly or indirectly holds 100% of voting shares (hereinafter referred to as Group companies) or where such financing is directed to the Company from foreign subsidiaries in which the Company directly or indirectly holds 100% of voting shares, this shall

be implemented in accordance with the relevant regulations of each subsidiary.

Article5: Duration of loans and calculation of interest.

- I. In principle, the loan period of a loan of funds shall be within one year. However, if the Company's business cycle is longer than one year, it shall be subject to the business cycle. However, in the case of Paragraph 5 of the preceding Article, after a resolution of the Board of Directors of the Company or of a subsidiary, the restriction may be waived for the financing period to extend no more than one year or one business cycle. However, the maximum period shall not exceed three years. It may be extended one time, and each extension period shall not exceed three years.
- II. Loans of funds and interest rates shall be determined with reference to the Company's deposit and borrowing interest rates at financial institutions. The Company's loan interest calculations and collections are to be based on the principle of monthly interest payments. In case of special circumstances and with the approval of the Board of Directors, this may be adjusted according to the actual conditions.

Article6: Procedures for handling loans of funds.

When a loan of funds is made with others, the financial unit shall conduct the review procedure in accordance with Article 7. It shall first conduct a detailed investigation, draw up the maximum loan amount, loan period and interest calculation method and report to the Board of Directors for a resolution of approval.

For loans between the Company and its parent company or subsidiaries or between the Company's subsidiaries, the Board of Directors shall propose a resolution in accordance with the regulations and may authorize the Chairman of the Board of Directors to grant a certain amount of funds to the same loan subject as determined by the Board and within a period of not more than one year from when the loan is to be allocated in installments or set as a revolving fund.

Regarding the "certain amount" mentioned in the preceding paragraph,

except for except for those meeting the requirements of Paragraph 4, Article 2, the Company's or subsidiary company's authorized amount of loans to a single enterprise shall not exceed 10% of the Company's most recent net value of financial statements.

In order to take into full consideration each independent director's opinions, at the time of resolution of the Board of Directors concerning Article 3 and this Article, their clear opinions of agreement or opposition and the reasons for such should be included in the records of the Board of Directors.

Article7: Review procedures

I. Borrower credit status

When the Company handles a loan of funds and associated matters, the borrower should first attach necessary company information and financial information and apply to the Company for a financing credit limit in writing.

After the Company accepts the application, the financial unit shall investigate and evaluate the business, financial status, solvency and creditworthiness, profitability and the purpose of the loan and shall prepare a report.

The financial unit shall conduct a detailed evaluation and review of the loan of funds and the counterparty and the evaluation items should include at a minimum:

- (I) The necessity and rationality of a loan of funds to others.
- (II) Measurement of whether or not the fund lending amount is necessary based on the financial status of the counterparty of the loan of funds.
- (III) Whether or not the cumulative fund lending amount is still within the allowed limit.
- (IV) Impact on operating risks, financial status and shareholders' equity of the Company.
- (V) Whether or not collateral should be obtained and the assessed value of the collateral.

(VI) Credit investigation and risk assessment of the counterparty of the loan of funds.

II. Risk assessment:

The financial unit shall submit an evaluation report on the impact on operational risks, financial status and shareholders' equity of the Company.

III. Asset Preservation:

When the Company handles matters pertaining to a loan of funds, a guaranteed promissory note of equivalent amount shall be obtained and, when necessary, the mortgage of movable property or real estate shall be established. For the credit guarantees of the preceding paragraph, if the debtor provides a guarantee by an individual or company with considerable resources and credit, then the Board of Directors may consider the handling of the credit report by the financial unit in lieu of the provision of collateral. For those taking a company as a guarantor, attention should be paid to whether said company's articles of incorporation have provisions that can be used as a guarantee.

Article8: Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights.

- I. After a loan is allocated, continuous attention should be paid to the financial, business and related credit status of the borrower and the guarantor, etc. If there is collateral, additional attention should be paid to whether or not the guarantee value has changed. In the event of a major change, it should be reported to the Chairman of the Board immediately and an appropriate treatment should be followed according to the instructions.
- II. When a borrower repays the loan at or before maturity, the interest payable should be calculated first. After paying off together with the principal, only then can the promissory notes, etc., be cancelled and returned to the borrower or the mortgage rights can be cancelled.
- III. When the loan comes due, the borrower should pay off the principal and

interest immediately.

IV. The Finance Department shall comply with generally accepted accounting principles, assess the lending situation and provision of adequate allowance for bad debts, and disclose relevant information in the financial report appropriately and provide relevant information to the CPA to perform the necessary verification procedures.

Article9: Loan Approval Procedure

- I. After evaluation of the review operation, if the borrower's credit rating is found to be poor and for those where lending is not intended, the handling staff shall give the reason for refusal, sign and approve it and reply to the borrowing company as soon as possible.
- II. For cases where the credit evaluation is justified for the purpose of the loan after the evaluation of the review operations, the handling staff should fill in the credit report opinion, propose the loan conditions and shall handle it after level-by-level approval and submission to the Board of Directors and passage of the resolution.

Article10: Contract Guarantee

The content of the agreement should be consistent with the approved borrowing conditions. After the borrower and the joint guarantor have signed the contract, the handling personnel shall complete the guarantee procedures.

Article11: Establishment of Collateral Rights

If financial guaranty is required for loan cases, the borrower shall provide collateral (such as real estate of equivalent value, marketable securities, or issuance of guarantee bills) and go through pledge or mortgage setting procedures to ensure the creditor's rights of the Company.

Article12: Insurance

- I. Except for land and marketable securities, all collateral should be insured against fire and vehicles should be fully insured. The amount of insurance shall be based on the principle that the pledged value of the collateral shall not be less than that of the collateral and the insurance policy should note that the Company is the beneficiary. The name, quantity, storage

location, insurance conditions and insurance endorsements of the subject matter contained in the insurance policy should be consistent with the Company's original approved loan conditions. If a building has not yet been assigned a house number, its address should be marked with the lot and land number where it is located.

- II. Handling personnel should pay attention to notify the borrower to continue the insurance before the expiry of the insurance period.

Article13: Registration Control Procedures

- I. The handling unit should establish a log book specifying the loan counterparty, amount, period, interest, collateral status, date of approval by the Board of Directors, date of appropriation, date of repayment, balance as of the end of the month and so on.
- II. When the Company has loaned funds to others, it should compile a "Schedule of Balances of Loans of Funds to Others" on a monthly basis; and, in accordance with the provisions of Article 15, it should make a report to the competent authority on a monthly basis and make an announcement within the prescribed time limit.
- III. Internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all the independence directors and supervisors in writing of any material violation found.

If a major violation is found, the managers and the sponsors should be reprimanded on the basis of the violations.
- IV. If, as a result of a change in circumstances, an entity for which the loan balance exceeds the limit, the company shall adopt rectification plans and submit the rectification plans to all the independence directors and supervisors, and shall complete the rectification according to the timeframe set out in the plan.
- V. Matters of notification to independent directors and supervisors under Paragraphs 3 and 4 shall apply mutatis mutandis after the establishment

of an Audit Committee.

Article 14: Repayment

- I. After a loan is allocated, continuous attention should be paid to the financial, business and credit status of the borrower and the guarantor. If collateral is provided, additional attention should be paid to whether or not the guarantee value has changed. Before the loan is due, the borrower shall be notified to settle the principal and interest by the due date.
- II. If the borrower fails to repay the principal and interest by the due date, staff should be immediately dispatched to understand the reason and to report to the Board of Directors within the shortest time limit and in accordance with the resolution of the Board of Directors to ensure the creditor's rights.
- III. When a borrower repays the loan at maturity, the interest payable should be calculated first. After paying it off together with the principal, only then can the promissory notes, IOUs and other credit documents be cancelled and returned to the borrower.
- IV. If a borrower applies for the cancellation of a mortgage or the elimination of a pledge, it is necessary to decide whether or not to approve the transaction after checking the balance of the loan.

Article 15: Announcement and reporting procedures

- I. The company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month.
- II. The company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
 1. The aggregate balance of loans to others by the public company and its subsidiaries reaches 20 percent or more of the public company's net worth as stated in its latest financial statement.
 2. The balance of loans by the public company and its subsidiaries to a single enterprise reaches 10 percent or more of the public company's net worth as stated in its latest financial statement.

3. The amount of new loans of funds by the public company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the public company's net worth as stated in its latest financial statement.

The term "announce and report" as used in these Regulations means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).

"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 or endorsement/guarantee, whichever date is earlier.

The public 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.

In the preceding paragraph, the calculation of the ratio of the loan of funds to the net value of the subsidiary is based on the proportion of the subsidiary's loan of funds balance to the net value of the Company.

Article 16: Procedures for Controlling and Managing Loans of Funds to Others by Subsidiaries

- I. If a subsidiary of the Company intends to make a loan of funds to others, the Company should supervise the subsidiary to establish procedures for the loan of funds to others in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" of the Financial Supervisory Commission.
- II. If a subsidiary of the Company intends to make a loan of funds to others, all such loans should be reported to the Company for approval beforehand. The financial unit of the Company and personnel designated by the general manager shall specifically assess the necessity and rationality, the risk of the loan of funds to others and its impact on the operating risks, financial conditions and shareholders' equity of the

parent company and its subsidiaries and this shall be submitted to the general manager for approval.

- III. The financial unit shall obtain the balance sheets and the log books of loans of funds of each subsidiary at the beginning of each month.
- IV. The financial unit of the Company shall periodically evaluate the appropriateness of the subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights.
- V. Internal auditors of the Company should prepare audit reports in accordance with the annual audit plan regarding the compliance of subsidiaries' procedures for loans of funds to others. If deficiencies are found, the subsidiary under investigation shall be notified to improve and follow-up reports shall be regularly prepared and submitted to the Chairman, independent directors, and Audit Committee.

Article17: Penalty

Operations of the Company's loans of funds for others shall be handled in accordance with the provisions of these operating procedures. Managers and sponsors who violate these operating procedures shall be dealt with in accordance with the relevant penalties of the Company's personnel management regulations.

When a responsible person of a company violates paragraph 1 or the proviso of the preceding paragraph, the responsible person shall bear joint and several liability with the borrower for repayment; if the company suffers damage, the responsible person also shall be liable for damages.

Article18: These Procedures must be approved by the Board of Directors, submitted to supervisors and reported to the Shareholders' Meeting for approval. If a director objects and there are records or written declarations thereof, the Company shall send his or her objections to the supervisors and report the matter to the Shareholders' Meeting for discussion; and the same applies for amendments. In addition, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be

recorded in the minutes of the Board of Directors meeting.

If the Company has established an Audit Committee, then when establishing or amending the Procedures for Loans of Funds to Others, this shall be approved by a majority of members of the Audit Committee and a resolution submitted to the Board of Directors and the preceding paragraph is not applicable.

If approval of one-half or more of all Audit Committee members is not obtained, it may be implemented if approved by two-thirds or more of all directors and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

The terms "all Audit Committee members" in paragraph 2 and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article19: This Procedures was established on Nov. 16, 2007.

The 1st amendment was made on Apr. 15, 2009.

The 2nd amendment was made on Apr. 30, 2010.

The 3rd amendment was made on Jun. 15, 2011.

The 4th amendment was made on Jun. 28, 2013.

The 5th amendment was made on Jun. 19, 2019.

The 6th amendment was made on Aug. 3, 2021.

The 7th amendment was made on May. 31, 2023