

NOVA TECHNOLOGY CORP.

Procedures for Loaning of Company Funds

Article 1 Purpose and Legal Basis

The Company established this procedure in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”. The Company shall follow the Procedures set forth below for lending funds to other parties. Any other matters not set forth in the Procedures shall be dealt with in accordance with the applicable laws, rules, and regulations.

Article 2 Scope

2.1 Funds Borrower

2.1.1 Company or enterprise that has business transactions with the company.

2.1.2 Company requiring short term financing as recognized by the board of directors:

- (1) Company with parent and subsidiary relationship with the company that requires short term financing due to business needs.
- (2) Company or enterprise invested by the company under the equity method that requires short term financing due to procurement of materials or operations.
- (3) Capital lending among overseas companies whose 100% voting shares are directly or indirectly held by the company, or overseas companies whose 100% voting shares are directly or indirectly held by the company lending to the company.

2.1.3 Subsidiary and parent company referred to shall be determined in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers.

2.2 Total Funds Lending Limit

2.2.1 The total amount of funds lending by the company shall not exceed 40% of the company's net value.

2.2.2 The total amount for lending to a company having business relationship with the Company shall not exceed 10% of the company's net value. The individual lending amount shall not exceed the amount of the total transaction amount between the parties during the period of the year prior to the time of lending and shall not exceed 10% of the company's net value. (For the purpose of this Procedure, the "transaction amount" shall mean the sales or purchasing amount between the parties, whichever is higher).

2.2.3 For lending of short term financing, the total lending amount shall not exceed 40% of the company's net value and the individual lending amount shall not exceed 40% of the company's net value. The amount of short term financing means the accumulated balance of short term lending amount by the company.

2.2.4 According to 2.1.2(3) Capital lending among overseas companies whose 100% voting shares are directly or indirectly held by the company or overseas companies whose 100% voting shares are directly or indirectly held by the company lending to the company is not subject to the restrictions under 2.2.1~2.2.3. However, the aggregate amount of such loans, the amount permitted to a single borrower, the duration of the loans, and the method of interest

calculation shall remain subject to the provisions of Articles 2.2~2.4.

- 2.2.5 "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 2.2.6 When the person in charge of the company violates the provisions of Article 2.2.1~2.2.3, it shall be responsible for the return of the loan with the borrower; if the company suffers damage, it shall also be liable for damages.

2.3 Term of Capital Financing

- 2.3.1 Short term financing requirement with the company means a term that is one year or one business cycle (whichever is longer).
- 2.3.2 In case of any special situation and subject to the approval of the board of directors, lending may be extended upon expiry based on the actual situation. (To once only, and shall not exceed one year). The term of short term financing each loan extended by the Company shall not exceed one year and no extension by the board of directors.

2.4 Interest Calculation of Capital Financing

The company may waive interest for funds lending to any company whose 100% voting shares are held directly or indirectly by the company. For other lending to companies or enterprises approved by the company, interest shall accrue at the basic lending rate of the Bank of Taiwan for the current month plus 2%. If the borrower fails to perform the financing contract, monthly interest shall accrue at the original interest rate times 1.1 starting from the date of violation of the financing contract.

Article 3 Decision Level

- 3.1 When the company contemplates to lend funds, a resolution by the board of directors shall be required. No other person shall be authorized to make the decision.
- 3.2 For funds lending between the company and its subsidiary or among the company's subsidiaries, the board of directors may authorize the chairman to approve several drawdowns or revolving drawdowns by the same borrower within a period of one year within a certain amount resolved by the board of directors. Other than overseas companies whose 100% voting shares are directly or indirectly held by the company, the authorized amount of funds lending from the company or the subsidiary to any single enterprise shall not exceed 10% of the net value on the company's latest financial statements.

Article 4 Operating procedures

4.1 Loan Application

Any borrower, when applying for a loan from the Company, shall submit an application (10.1) describing in detail the loan amount requested, term, purpose and collateral to the Company. After the application approved by Business Unit submit to finance department to facilitate the evaluation and credit checking by the Company.

- 4.2 For funds lending to subsidiary and parent company, may be waived to facilitate the evaluation and credit checking by the company.

4.3 Loan Approval

4.3.1 Evaluation Criteria

- (1) Due to the business loan relationship, it is necessary to clearly determine whether the loan amount and the amount of business transactions are equivalent.

- (2) For lending of short term financing, the reasons and circumstances of the loan and funds should be listed.

4.3.2 Review Procedure

- (1) Necessity and reasonableness of funds lending.
- (2) Credit and risk evaluation of the borrower.
- (3) Impact on the company's operational risk, financial status and shareholder interest.
- (4) Whether collateral should be obtained and evaluation of the collateral's value.

4.3.3 Following credit verification or verification, if the lending will not be released because the borrower has bad credit or if the purpose for the loan is inappropriate, the processing staff shall seek approval for the reason for decline and inform the borrower timely.

4.3.4 Following review and evaluation, for cases with good credit, appropriate lending purpose, the finance department shall fill in the credit report and opinions, and propose to lend the conditions of the loan, review it by the chairman and report it to the board of directors.

4.3.5 After a lending case is approved, the processing staff shall inform the borrower by letter or telephone as soon as possible, detailing the company's lending conditions, including the amount, duration, interest rate, collateral, insurance and guarantor and require the borrower to sign a contract and carry out a collateral pledge and guarantor procedure within a deadline.

4.4 Contract Signing and Guarantor

4.4.1 For any lending case, the processing staff shall draft the contract provisions. (9.2) The procedure for contract signing shall then be carried out.

4.4.2 After signatures by the borrower and the joint liability guarantor on the contract, the processing staff shall carry out the guarantee procedure.

4.5 Collateral rights setting

IF any other borrower provide a collateral as requested by the Company in an amount equivalent to that of the loan, the processing department shall appraisal of collateral, legal procedures for mortgage and/or lien must be fulfilled to protect the Company's interest

4.6 Insurance

4.6.1 All collateral, except land and securities, shall be covered by property damage insurance. For vehicles, comprehensive insurance shall be procured. The insured amount shall, in principle, be not less than the replacement cost of the collateral. The insured object, quantity, location and coverage conditions must be consistent with the requirements of the Company. If a building does not have a street number at the time of creation of collateral, the address shall be indicated by the land section and land number where it is located. The Company shall be named as the beneficiary of the insurance.

4.6.2 The insurance period shall cover the funds lending period. If approval is obtained to extend the lending period, the processing staff shall duly inform the borrower to continue the insurance prior to the expiry of the insurance period.

4.7 Advance

The processing department shall only release the amount after the borrower has signed the contract, submitted promissory note and loan contract, then completed registration of mortgage creation on the collateral.

4.8 Entry account

The company to complete each funds and loan procedures, should be prepared by the processing department guarantees or credit guarantee of journal voucher, filed with the accounting unit posted to necessary account books

4.9 Repayment

When the borrower repays the loan on or before the due date, interest payable shall first be calculated and paid together with the principal. Then the promissory note shall be returned to the borrower.

4.10 Lien Cancellations

The borrower to apply for cancellation of mortgage right, it should first find out whether the principal and interest of the loan have been fully settled, and the liquidity can be agreed to apply for the mortgage of the mortgage.

4.11 Overdue Debt

4.11.1 The borrower shall repay the principal and interest when the lending is due. If the borrower cannot repay and needs an extension, it shall file a request in advance for approval by the board of directors. Each extension of repayment shall in accordance with Article 2.3.2. In case of any violation, the company shall carry out disposal and claim in accordance with law on the collateral provided or against the guarantor.

4.11.2 The company shall accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers to evaluate the funds lending situation and make appropriate bad debt provision. Relevant information shall also be disclosed in the financial reports. Relevant information shall be provided to the certifying accountant to perform the necessary audit procedure.

4.12 Subsequent Control Measures for Amount Advanced

4.12.1 Extension

Before the due date, the company shall inform the borrower repays the loan on the due date or extend the borrowing. If the borrower wishes to extend the borrowing before the due date, a new application shall be filed in accordance with this procedure.

4.12.2 Case registration and custody

(1) The company shall establish a reference book for carrying out funds lending matters, recording in detail for future reference the funds borrower, amount, date of board approval, date of funds lending and matters requiring careful evaluation in accordance with Article 4.3.2.

(2) After lending is advanced, the financial, business and credit situation of the borrower and the guarantor shall be monitored. Verifications shall be made as to whether the value of collateral (pledge) has been changed. Any significant change shall be immediately reported to the chairman and handled in accordance with the chairman's instructions.

(3) The internal audit shall perform regularly inspection and evaluation of the performance of the above provisions and written records shall be prepared. In case of any significant violation, all audit committee shall be notified in writing.

(4) Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or these Procedures 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.

- (5) Every month, the processing staff shall prepare a funds lending details table for the previous month and submit it to the persons with due authority for review and approval.

Article 5 Public Announcement

- 5.1 A public announcement shall be made by the 10th day of each month about the balance of funds lending by the company and its subsidiaries for the previous month. And provide relevant information on a monthly basis information to the parent company of the group.
- 5.2 If the balance of funds lending of the company and subsidiary, reaches Article 22 first paragraph of “Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies” by the Securities and Futures Bureau, a public announcement shall be made within 2 days commencing immediately from the date of occurrence. And provide relevant information on a monthly basis information to the parent company of the group.
- 5.3 “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 about fund lending and monetary amount of the transaction, whichever date is earlier.

Article 6 Control Procedure for Funds Lending by Subsidiary

- 6.1 When the subsidiary of the company contemplates to lend funds, the company shall ensure that the subsidiary performs in accordance with the funds lending procedure established in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies” by the Securities and Futures Bureau.
- 6.2 When fund-lending to other parties is contemplated by the subsidiary of the Company, relevant information should be submitted to the company and approved by the Board of Directors of the subsidiary.
- 6.3 The company’s internal audit staff shall perform regular audit on the compliance by each subsidiary to its “Funds Lending Procedure” and make audit reports. The discoveries and suggestions of the audit report shall be explained and notified to each audited subsidiary for improvement. Regular follow-up reports shall be made to ensure that appropriate improvement measures have been undertaken in time.

Article 7 Penalty

If any manager and responsible staff of the company violates the Procedure of the company, a sanction shall be imposed based on the gravity of the matter in accordance with the company’s work rules, with regular report and audit.

Article 8 Implementation and Amendment

- 8.1 This procedure shall be implemented after it is approved by more than half of all audit committee members, submitted to the board of directors for further approval and submitted to the shareholder meeting for approval. If any director voices any objection by recording or written statement, the company shall submit the objection to the audit committee and shareholder meeting for discussion. The same procedure shall be applicable to any amendment hereof.
- 8.2 If approval of more than half 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 minutes of the board of directors meeting.

- 8.3 8.1 All members of the Audit Committee and all board of directors referred to the above paragraph are calculated by the actual incumbent.
- 8.4 When the funds lending procedure is submitted to the board of directors for discussion in accordance with the previous section, opinions from each independent director shall be fully taken into consideration the 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.