

# Regulations Governing Loaning of Funds

Name of Regulation	Regulations Governing Loaning of Funds
Amendment Date	The 7th amendment was made on November 13 <sup>th</sup> , 2020
<p>Article 1 These Regulations are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("the Act") and the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p> <p>Loaning of funds by the Company shall comply with these Regulations. Matters not mentioned in these Regulations shall be handled in accordance with relevant laws and regulations.</p> <p>Article 2 The capital of the Company shall not be lent to shareholders or any other person unless as follows:</p> <ol style="list-style-type: none"> <li>1. Companies or firms with business dealings with the Company.</li> <li>2. Companies or firms that require short-term financing facility. Provided that such financing amount shall not exceed 40% of the Company's net worth.</li> </ol> <p>The Company shall only loan funds to companies with business dealings for their operational needs. Loaning of funds for short-term financing facility can only be made under the following circumstances: (1) The Company's affiliates require short-term financing facility due to operational needs. (2) Short-term financing facility due to other strategic purposes, which shall be approved by the Company's Audit Committee and Board of Directors.</p> <p>"Short-term" refers to 1 year or 1 operating cycle, whichever is longer. The financing amount refers to the accumulated balance of the Company's short-term financing facility.</p> <p>The provision of Subparagraph 2 of Paragraph 1 is not applicable to financing between offshore companies whose voting shares are 100 percent held, directly or indirectly, by the Company or financing provided to the Company by offshore companies whose voting shares are 100 percent held, directly or indirectly, by the Company. However, the total amount of capital loan, the limit for a single borrower, and the loaning period must all be specified.</p> <p>Article 2-1 The Company shall determine whether its funds are loaning of funds under the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Significant amount of the Company's receivables (including related and non-related parties) that have past due normal credit period for 3 months and have not been recovered, except for those that are not intended to become loaning of funds (such</li> </ol>	

as taking legal actions, proposing specific and feasible control measures).

2. Any amount of significant amounts or special nature other than the Company's receivables, such as "other receivables," "prepayments," "refundable deposits", that has not been recovered for more than 3 months when the payment does not have a contractual relationship, the payment does not meet the performance obligations set out in the contract, or the payment reason disappears.

The aforementioned receivables, other receivables, prepayments, and refundable deposits shall be resolved at the Audit Committee and Board of Directors meeting as to whether they are loaning of funds. The resolutions shall comply with Article 13.

Where the aforementioned funds of the Company are determined to be loaning of funds, an announcement shall be made in accordance with Article 10 from the resolution date of the Board of Directors. In addition, as the nature of these funds is different from the original definition of accounting items, they shall be transferred under appropriate accounting items (such as other receivables).

In the event the balance exceeds the limit according to the above-mentioned regulations due to the Company determines that it is a loaning of funds, the Company shall establish and implement an improvement plan in accordance with Article 8-4, and submit the improvement plan to the Audit Committee.

Article 3 The term "subsidiary" in these Regulations shall be defined pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The net worth of a foreign company as calculated under these Regulations refers to the balance sheet equity attributable to the owners of the parent company.

The term "date of occurrence" in these Regulations refers to the date of contract signing, date of payment, date of Board of Directors' resolutions or the date used when confirming the counterparty or the monetary amount of the financial loan, whichever date is earlier.

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

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

1. The maximum financing amount permitted to a single borrower shall not exceed 40% of the Company's net worth for a short-term financing facility.
2. The limit for a single target shall not exceed the actual purchase or sale amount of the Company and its actual purchase or the sale amount plus the signed purchase or sale contract amount within the last twelve months for a financing facility with companies with business dealings. The total loaning amount shall not exceed the operating income set out in the Company's consolidated financial report in the most recent year approved by CPAs.
3. The maximum financing amount permitted to a single borrower shall not exceed five times of the Company's net worth for loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares.
4. The net value of the preceding paragraphs shall be subject to the data contained in the Company's latest consolidated financial report approved or reviewed by CPAs.

Article 5 Duration of loans and calculation of interest:

1. The Company's loaning period shall not exceed one year from the loaning date.
2. Loan interests are calculated based on the highest interest rate of medium and long-term loans on a monthly basis, which is subject to adjustment according to the Company's capital cost. The personnel in charge shall submit the adjustment of interest rate to the Chairperson of the Board for approval.
3. Loan interests are collected on the 5th of each month unless otherwise agreed in the contract.
4. The personnel in charge shall submit the loan interests between the Company and its related parties to the Chairperson of the Board for approval.
5. The loan period shall be no longer than 8 years from the date of the loan for loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares. In addition, the borrower may renew the loan for five years, up to three times, if necessary, before it expires, which will be subject to the approval of the Chairperson of the Board.

Article 6 The Company's loaning procedures:

1. Application, credit investigation, loan approval:  
Procedures for the personnel in charge to review the necessity of granting facilities to the aforementioned borrowers by the Company:
  - 1.1 The necessity of and reasonableness of loans.
  - 1.2 Borrower credit status and risk assessment.
  - 1.3 Impact on the Company's business operations, financial condition, and shareholders' equity.
  - 1.4 Whether collateral must be obtained and appraisal of the value thereof.
  - 1.5 Assess the purpose, amount, time limit, repayment plan, and credit risk, etc. The responsible department will express its opinion on whether the loan should be granted and its conditions, which shall be approved by the Chairperson of the Board and submitted to the Audit Committee and the Board of Directors.
2. Setting of Collateral Rights:  
When the Company determines whether to grant loans based on the above procedures, it should obtain guaranteed bills and debit notes of the same amount. If collaterals are required, an appropriate number of chattels or real properties shall be pledged to protect the creditor's rights of the Company.
3. Signing and Funding:  
The funds can be allocated after the loan case has been approved and signed by the borrower, and the guarantee pledge has been registered.
4. The Company shall carefully evaluate whether the loan is in compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and these Regulations before making a loan of funds to others. The Company may loan funds to others only after the evaluation results under this article have been submitted to and resolved upon by the Audit Committee and the Board of Directors. The Company shall not empower any other person to make such decision. Loans of funds between the Company and its subsidiaries or between its subsidiaries, shall be submitted for a resolution by the Audit Committee and the Board of Directors pursuant to the preceding paragraph, and the Chairperson may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving

credit line available for the counterparty to draw down. However, the Company's subsidiary is not subject to the resolution by the Audit Committee as it does not have an Audit Committee.

5. The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the lending company, except in cases of companies in compliance with Article 5, paragraph 2.
6. As the Company has established the position of independent director, when it lends funds to others, it shall take into full consideration the opinions of each Independent Director; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minute books of the Board of Directors' meeting.

**Article 7 Repayment:**

1. The personnel in charge of each loan approval case shall notify the borrower to repay the principal and interest one week before the due date.
2. The Company shall evaluate the status of its loans of funds, reserve sufficient allowance for bad debts, adequately disclose relevant information in its financial reports, and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

**Article 8 Control measures for loans and amounts, and procedures for processing overdue claims:**

1. **Application for Extension:**

The borrower may apply for an extension before the due date of the loan, if necessary, which will be subject to the approval of the Chairperson of the Board. However, for short-term financing facilities that are due in one year, repayment made without actual cash flow and an extension of the repayment period without the approval of the Board of Directors is prohibited.
2. The Company shall prepare a memorandum book for its fund-lending activities and record detailed information of the borrower, amount, date of approval by the Board of Directors, lending date, and matters to be carefully evaluated according to Article 6, paragraph 1. All documents and contracts of all loan approval cases are kept by the personnel in charge.

3. The Company's internal auditors shall audit the Operational Procedures for Loaning Funds to Others and the implementation thereof at least once a quarter, and prepare written records accordingly. They shall promptly notify all the supervisors in writing of any material violation found.
4. If, as a result of a change in circumstances, an entity to which a fund is lent no longer meets the requirements in the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" or the balance exceeds the limit, the Company shall draw up improvement plans and submit the relevant plans to the Audit Committee and make improvements according to the timeframe set out in these plans.
5. Overdue claims shall be actively handled in accordance with the following requirements:
  - 5.1 If the borrower is deemed to possess continuous business value after assessing his/her financial and business conditions, the repayment agreement of the original claim may be changed.
  - 5.2 In addition to the foregoing, the Company shall take the following measures immediately:
    - 5.2.1 Exercise the rights of the bills, request repayment from the primary and secondary borrowers, and dispose of collaterals.
    - 5.2.2 Identify properties of the primary and secondary borrowers that can be utilized. When necessary, pursue protective measures in accordance with the relevant laws.
    - 5.2.3 Claim for property enforcement of the primary and secondary borrowers.
    - 5.2.4 Other necessary protective measures.
    - 5.2.5 If the Company believes that the primary and secondary borrowers are in fact unable to repay all debts, it may consider the actual situation and submit a settlement proposal that can protect its principal, which is subject to the approval by the Board of Directors.

#### Article 9 Control Procedures for Financing Other Parties by Subsidiaries

1. If a subsidiary of the Company intends to loan funds due to business needs,

its board of directors shall pass a resolution, which shall be submitted to the Audit Committee and the Board of Directors of the Company for ratification.

2. A subsidiary of the Company shall formulate its own Procedures for Loaning of Funds in compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" when it intends to loan funds to others. These procedures shall prescribe limits on the aggregate amount of such loans and on the amount of such loans permitted to a single borrower, and shall specify limits on the duration of such loans.
3. Loaning of funds by the Company's subsidiaries that should be resolved at the Board of Directors meeting according to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" shall be resolved at the Board of Directors meeting of the parent company instead.
4. The receivables, other receivables, prepayments, and refundable deposits of the Company's subsidiaries shall be subject to Article 2-1 to determine whether it is a loaning of funds, which shall be handled in accordance with relevant procedures.

Article 10 Terms and contents to be announced and reported:

1. The Company shall announce and report the loan balances of the Company and its subsidiaries in the previous month by the 10th day of each month.
2. If the capital loan balance of the Company meets one of the following standards, an announcement and a report have to be made within two days from the factual occurrence date:
  - 2.1 The balance of lending by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
  - 2.2 The balance of lending by the Company and its subsidiaries for a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.
  - 2.3 The amount of lending made by the Company or its subsidiaries reaches NT\$10 million or more and reaches 2% or more of the Company's net worth as stated in its latest financial statement.

Article 11 The Company shall announce and report on behalf of any subsidiary thereof that is not a public company in Taiwan for any matters that such a subsidiary is

required to announce and report pursuant to Article 10, paragraph 2.3.

#### Article 12 Penalty

The Company's managers and personnel that violate these Regulations will be assessed in accordance with the Company's Regulations Governing Personnel Management and Employee Handbook; a penalty will be imposed according to the severity of the violation.

The person responsible for the Company who has violated the provisions of Article 2, paragraph 1 shall be liable, jointly with the borrower, for the repayment of the loan and for the damages caused, if any, to the Company.

#### Article 13 Implementation and Amendment

The Company has set up an Audit Committee. The formulation or amendment of these Regulations are subject to the approval of the majority of the Audit Committee members, a resolution of the Board of Directors, and the approval at a shareholders' meeting.

In case it is not approved by the majority of the Audit Committee members, approval can instead be obtained from over two-thirds of all Directors. The resolutions of the Audit Committee shall be stated in the minutes of the Board of Directors meeting.

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